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Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L100.00	Switzerland	SFr2.20
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Netherlands	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr7.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,315 — Wednesday August 19 1987 — D 8523 A

Growing pains of an African nation, Page 16

World News

S African mine peace talks end abruptly

Talks aimed at ending the increasing violence on South Africa's striking mines ended abruptly in Johannesburg yesterday.

Mr Cyril Ramaphosa, general secretary of the NUM, said the talks had ended when news was received of an alleged police attack on strikers outside the President Steyn mine in the Orange Free State. Drift back to work, Page 3

Assassins fail

President Junius Jayawardene of Sri Lanka narrowly escaped an assassination attempt when a shot was fired and two hand grenades were thrown inside the Parliament House. Page 16

Hess 'suicide'

Rudolf Hess, Hitler's former deputy, who died on Monday aged 93, had earlier attempted to commit suicide in Berlin's Spandau jail, preliminary investigations revealed. Page 2

US 'trained Afghans'

The Reagan Administration had carried out secret training of Afghan guerrillas on US territory, the official Soviet newsagency Tass alleged.

AIDS drug for tests

The US Food and Drug Administration approved the first human testing in the US of a possible anti-AIDS vaccine developed by MicroGeneSys of West Haven, Connecticut. Testing would begin on 75 people as soon as possible.

Bulgarian reforms

Bulgaria's parliament adopted economic and political reforms, reorganising the government and regional administration and paving the way for changes in the constitution.

Ariane setback

Resumption of Europe's Ariane rocket programme, grounded after a launch failure last year, was further postponed for four days to give technicians more time to prepare.

Yugoslav bankruptcy

About 1,600 Yugoslav building workers lost their jobs when a construction company became the first casualty of a tough new bankruptcy law.

Bombers confess

Six young Tunisian Islamic militants confessed on television in Tunis to planting bombs in hotels which injured 12 British and Italian tourists and a Tunisian.

Aegean exercise

Greece said it was watching closely joint naval exercises by Turkish and Pakistani vessels in the Aegean Sea.

Bangladesh plea

Bangladesh appealed to fellow Moslem countries to help it fight hunger and disease in the flood-ravaged north, affecting a sixth of its population.

Escape to West

An East German family of four escaped to the West in a crop-spraying aircraft, the second such flight in five weeks.

Oilfield rescue

Engineers on Norway's Ekofisk oilfield completed a $600m rescue operation to raise sinking platform decks out of danger of North Sea waves.

Saudi arrests

Britain was seeking the release of 29 Britons among 87 foreigners arrested in Sandi Arabia after a police raid on a party.

Pests written off

China officially declared a district of inner Mongolia cockroach-free after 50,000 households used pesticide-tipped pens to draw lines that killed every insect which crossed them. Average cockroach population density dropped from 22.2 per room to 1.37.

Business Summary

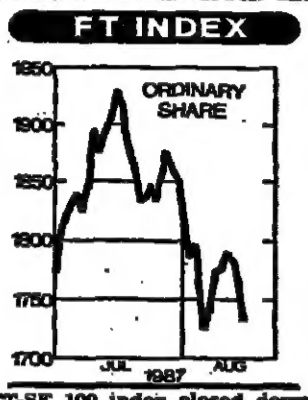
Equiticorp poised for Guinness Peat bid

EQUITICORP, New Zealand investment and banking company is negotiating to increase its stake in Guinness Peat, UK merchant banking and fund management group, by at least 5 per cent thereby triggering a full offer for the company. Page 16

J.C. PENNEY, New York-based retailer, boosted second-quarter income 80 per cent to $93m, or 68 cents a share, compared with $50m, or 38 cents per share, in the same year-ago period. Page 17

LONDON: Uncertainty continued to depress equities as traders waited for tomorrow's monetary statistics. The weak opening on Wall Street also pushed the market lower. The FT-SE 100 index closed down 34.8 at 2,224.8, just 0.5 above its lowest level of the day. The FT Ordinary index was down 31.8 at 1,732.2. Details Page 32

FT INDEX



WALL STREET: Dow Jones industrial average closed down 45.91 at 2,654.66. Page 36

TOKYO: The rise of the yen sparked investor caution and pushed electricals, instruments and high-tech issues lower. The Nikkei avaerage lost 34.54 to 25,344.34, its third consecutive decline. Volume remained lower than last week. Page 36

GOLD rose on the London bullion market to $457.75 from $453.75. It also rose in Zurich to $457.40 ($453.45). Page 24

DOLLAR closed in New York at DM1.8435, Y146.30, FFr6.1585, SFr1.5305. It fell in London to DM1.8440 (DM1.8770); to Y146.05 (Y149.90); to SFr1.5275 (SFr1.5570); and FFr6.1575 (FFr6.2725). On Bank of England figures the dollar's exchange rate index fell from 104.2 to 102.9. Page 25

STERLING closed in New York at $1.6150. It rose in London to $1.6170 ($1.5910); but fell to DM2.9825 (DM2.9875); to Y236.25 (Y238.50); to SFr2.4700 (SFr2.4775); and FFr9.9575 (FFr9.98). The pound's exchange rate index closed at 146.1. Page 25

GENERAL FOODS, leading US packaged foods group, has announced its first major reorganisation since it was acquired by Philip Morris for $5.8bn in late 1985. Page 17

TANDY, US electronics manufacturer and retailer, saw earnings increase 23 per cent for the year to $242.3m, or $2.70 per share, from $197.7m or $2.22 per share in 1985-86. Page 17

CHEVRON, US oil company, has sold the Gulf name for most parts of the world outside the US to Gotco, a privately owned oil trading company, for an undisclosed sum. Page 17

RONALD PERELMAN, US investor, has launched his third assault on Gillette with an offer to buy the razor and consumer products company for $47 a share or $5.38bn in cash and securities. Page 17

ASEA, Swedish electrical engineering group, yesterday held its first meeting with officials of the Swedish Industry Ministry in attempt to gain crucial Government approval for its planned merger with Brown Boveri of Switzerland. Page 17

SOCIETE Generale de Belgique is in talks with Compagnie Generale d'Electricite and Sumitomo Corporation with a view to the French and Japanese groups each taking an equity stake in Belgium's largest commercial and industrial holding company. Page 18

US hostage tells of dramatic dawn escape from Beirut captors

BY NORA BOUSTANY AND LOUIS FARES IN DAMASCUS

MR CHARLES Glass, the 37-year-old US journalist who was held captive in the southern suburbs of Beirut for two months by Islamic fundamentalists, escaped after loosening his chains and locking his captors in the apartment where he had been held blindfolded.

He then threw away the key to the apartment, which he had stolen, and made his way barefoot before dawn to the Summerland Hotel, two miles away from the suburb of Bir on the West Beirut waterfront. He told a receptionist: "I am Charles Glass and I need a place to hide. I need a force to protect me."

He told these details of his escape in Damascus, where Syrian intelligence officers had taken him after picking him up at the hotel. He was then handed over by Mr Farouk al-Sharaa, the Syrian Foreign Minister, to a US diplomat.

Mr al-Sharaa, said: "We have spared no effort of any kind to save you. Your case was a real challenge to us. President Assad, myself and the Syrian Government are all very satisfied and happy that you are here safe and sound."

Mr Glass had become a pawn between Syria and Iran during his period in captivity. Syria has long been Iran's virtual only Arab supporter in its war with Iraq.

Syria moved into Beirut last February to stop the wave of kidnappings of Westerners by Shia fundamentalist groups and restore order to anarchic Lebanese capital. Some 25 foreigners have been kidnapped in Lebanon since March 1985. They include 10 Americans and six journalists. Escapes have not been unknown but they have been rare.

Relations between Iran and Syria have become strained because of the kidnaps. The abduction of Mr Glass, a former correspondent for ABC the US television network in Lebanon last June when he was travelling with his friend, Mr Ali Osseirane, the son of the Lebanese defence minister, was deeply embarrassing to the Syrians.

They have made strenuous efforts to obtain the release of Mr Glass, as they have of Mr Terry Waite, the special representative of the Archbishop of Canterbury, who has been held for more than six months by Islamic fundamentalist.

Mr Glass made no reference to Mr Waite when he talked to a gathering of journalists and other friends at a US diplomat's house.

Mr Glass's English wife, Fiona, who was phoned by Mr Glass in Sussex, said she had "no idea whether he had news of Mr Waite or any of the other hostages."

Mr Glass said he had not been beaten in captivity but had been blindfolded a lot of the time and had been held separately from other hostages.

Having given up full time work for ABC, Mr Glass, had returned to Lebanon, where he had lived and worked for more than 10 years as a student and journalist, to write a travel book.

During his time in captivity Mr Glass was obliged to appear on a crude video during which he said he worked for the CIA as a spy.

Many friends and the US State Department said it was inconceivable that he worked for the CIA.

Iranian attack ends five-week respite in Gulf tanker war

BY ANDREW GOWERS, MIDDLE EAST EDITOR, IN LONDON

A FIVE-WEEK lull in attacks on tankers in and around the Gulf was broken yesterday when two Iranian patrol boats fired on a Liberian-registered vessel in the Gulf of Oman.

The attack on the 20,578-tonne Norwegian-operated chemical tanker Osco Sierra was the first outside the Gulf proper, and further increased the tension surrounding shipping in the region.

According to news agency reports, a bullet smashed through a porthole of the tanker, but no other damage was sustained.

The motive for the attack was unclear, but it may have occurred after the tanker refused to stop when asked to do so by the Iranian patrol. Iranian boats have for some time been stopping and searching ships at the mouth of the Gulf for arms bound for Iraq. Iran is also widely blamed for planting mines off the coast of the United Arab Emirates, not far from where the Osco Sierra was fired on.

But Tehran has consistently said in recent weeks that it would only resume attacks on shipping if Iraq did so first.

Yesterday's incident will do nothing to allay fears that the so-called "tanker war", in which Iran and Iraq have attacked neutral ships, could flare up again. If it does, there is a serious risk that it could suck in foreign warships, of which there are now large numbers in and around the Gulf, including 16 US Navy vessels.

The latest attack is bound to increase the concerns of the southern Gulf states, the UAE and Oman, about a possible spread of the Gulf war. Oman has been making particularly strong efforts in recent weeks to distance itself from the US military presence, which it regards as unnecessarily provocative to Iran. There are reports, unconfirmed in Washington, that the Sultanate cancelled an annual joint military exercise it had been scheduled to hold with the US last month.

Oman is also believed to be making it clear to Britain, which this week sent four minesweepers to the region to assist its so-called Armilla Patrol, that it will not be able to offer port facilities if it associates itself too closely with the controversial American escort operation for reflagged Kuwaiti oil tankers.

However, Mr David Mellor, British Minister of State for Foreign Affairs, yesterday refused to rule out the possibility that British ships might come to the assistance of the US Navy. "We are always ready to consider assisting our allies - whether that assistance would be given and what it would be must turn on the kind of circumstances," he said in a radio interview.

The attack in the Gulf of Oman, and the discovery yesterday of another mine off Kuwait, also lends additional urgency to consultations between European countries on the Gulf crisis. Senior foreign ministry officials from the seven member states of the Western European Union are due to meet in the Hague tomorrow to discuss the situation.

Britain intends to use the meeting to maintain pressure on its European allies to join in the Gulf minesweeping effort. The discussions are, however, likely to be clouded by arguments between Britain and the Netherlands and Italy over public claims by Mr Mellor that Britain's allies are shirking their responsibilities in the region.

Continued on Page 16
More Gulf news, Page 3

Fear of Opec overproduction drives oil prices down

BY LUCY KELLAWAY IN LONDON AND TONY WALKER IN BAHRAIN

OIL PRODUCTION by the Organisation of Petroleum Exporting Countries (Opec) has risen to its highest level since last summer, with the most recent industry estimates putting output for August at 19.7m barrels a day, more than 3m barrels above the official 16.6m b/d ceiling.

Increasing concern about the extent of overproduction has driven oil prices down by about $2.50 from recent highs, despite the tension in the Gulf. Middle East crudes have reacted particularly sharply to the glut of oil, and spot prices for Dubai fell to $16.89 a barrel, more than 50 cents lower than official selling prices.

The fall in North Sea prices was stemmed yesterday by news that a Liberian tanker had been hit in the Gulf of Oman, but Brent crude closed down 2 1/2 cents at $18.85.

Traders said yesterday that the chances of Opec increasing its official selling price by $2 to $20 a barrel at its December meeting were "out of the window", unless Opec could curb the rampant cheating by its members.

The most serious overproduction is believed to come from Kuwait, which is estimated to be producing about 2.3m barrels a day compared to a quota of 996,000 barrels; while UAE is thought to be exceeding by about 700,000 barrels its quota of 948,000 b/d. Saudi Arabia is within its 4.3m b/d quota, according to estimates, with about 200,000 barrels a day of its estimated 4.5m b/d production being channelled into onshore storage.

The figures indicate that oil exports from Kuwait and Iran have not been upset by the threat of mines and bitter argument over the growing US naval presence in the region.

Gulf shipping sources say that Kuwait is running a successful shuttle service using Panamanian and Liberian registered tankers to transport at least 700,000 barrels a day of crude oil and refined product to storage vessels outside the Strait of Hormuz.

Iran is reported to be transporting up to 2m b/d using Larak Island at the entrance to the Gulf as a trans-shipment point. Iran appears to be taking advantage of the recent lull in the Gulf tanker war - Iraq has stopped attacking Iranian oil targets in the Gulf itself since early July - to increase its oil shipments through its Larak Island terminal.

Iran's oil production is estimated to have reached 2.4m b/d at the end of July, an increase of about 100,000 b/d compared with the previous month.

Iran's crude exports have remained fairly stable this year, according to Gulf shipping sources. However, the attack on Siri Island forced Iran to move its oil loading operations further south to Larak Island causing exports to drop for several weeks to about 500,000 b/d.

Crude prices, Page 24

Denmark calls snap election

BY OUR COPENHAGEN CORRESPONDENT

MR POUL SCHLUETER, Denmark's first Conservative Prime Minister this century, yesterday called a snap election for September 8, four months before the term of office of his ruling centre-right four-party minority coalition was due to expire.

The timing of Mr Schlueter's announcement at the opening of an emergency session of the Folketing (parliament) took MPs by surprise. The session had been called in the middle of the summer recess to pass legislation to end a four-month strike by 600 state-employed computer programmers.

The action has hit state administration, paralysing statistics services, tax collection, and the payment of student grants, pensions and salaries to state employees. Parliament is also seeking to end a prolonged dispute between medical specialists and local authorities, which has hit the national health service, forcing some patients to pay for medical attention.

The September poll, which ends weeks of speculation, was welcomed by the nine parties in the present Folketing. It comes as Denmark holds the six-month rotating presidency of the European Community.

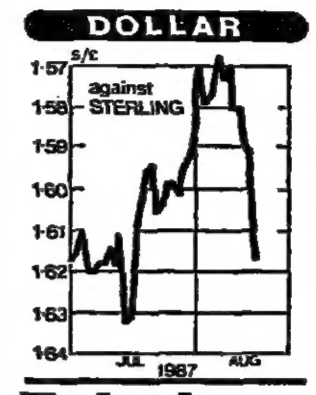
The Conservative-Liberal coalition, which came to power in 1982 and was re-elected in 1984, is expected to win although the result may be close.

The calling of the poll will upset the opposition Social Democrats, Denmark's biggest party, who are due to hold their annual congress in early September.

Observers had in recent weeks expected an early election due to the present relative buoyancy of the economy and fears in some quarters that a deterioration might set in by

Continued on Page 16

DOLLAR



Fed sales help halt dollar's sharp fall

By Janet Bush in London and Roderick Oram in New York

CENTRAL BANK intervention in New York yesterday halted the dollar's drop of almost Y4 in what appeared to be a delayed reaction to Friday's figures showing a widening US trade deficit in June.

Foreign exchange traders said the Federal Reserve sold yen and D-marks when the dollar slumped to Y145.55 and DM1.8390. The intervention was believed to be relatively small at around $100m but in keeping with its practice, the Fed declined to comment on the reports.

With the help of the Fed's apparent action, the dollar recovered a little of its heavy losses which had begun the previous evening in New York. The pressure on the currency increased overnight in the Far East and led to sharp falls in Europe yesterday.

Japanese investors, who had participated enthusiastically in last week's US Treasury quarterly refunding, were caught with large stocks of bonds and dollars when figures on the unexpectedly large deficit were released. They have since been heavy sellers of both.

The dollar's losses were particularly marked against the yen, ending in London yesterday at

Continued on Page 16
Currencies, Page 25

British bank to raise £300m in assets sale

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

STANDARD CHARTERED, the London-based international bank, is to embark on a major series of asset sales in order to raise up to £300m ($477m) and rebuild its reserves after making heavy provisions against loans to troubled Third World countries.

Sir Peter Graham, the chairman, said yesterday that disposals were necessary to restore the group's capital to levels required by the Bank of England. "We have an ample supply of family silver to sell," he said.

Standard's decision to raise fresh funds this way rather than through a rights issue gave a sharp boost to its shares, which closed last night at 773p, up 23p but down on a day's high of 790p.

The disposals stem from Standard Chartered's decision, announced yesterday, to make a provision of £400m to protect itself against possible losses on loans to the Third World, in common with moves taken by other international banks in recent months.

The bank said that its total exposure is £2.4bn, of which £944m is to 12 countries in Latin America, £744m to 21 countries in Europe, Africa and Asia, and £691 to South Africa.

The charge will bring the group's provisions to £515m, equivalent to 22 per cent of its total exposure. This is lower than levels set by other UK banks, which have gone to the 25-30 per cent level. But Standard said its provisions for countries excluding South Africa averaged 29 per cent.

Sir Peter said he would not comment on what parts of the group might be sold because that could jeopardise negotiations, but they would be "not fundamentally important to our business." He anticipated that the disposals would be completed by next year. "This is not a fire sale," he said.

There was considerable speculation in the markets yesterday that Standard Chartered had been obliged to make disposals because of the reluctance of its major shareholders to support a rights issue.

These include Mr Robert Holmes a Court, the Australian businessman, and Sir Y.K. Pao, the Hong Kong shipping tycoon, both of whom came to Standard's rescue during last year's unsuccessful takeover bid by Lloyds. Each now has nearly 15 per cent of Standard.

Standard Chartered is a group with widely diversified interests and several potentially saleable subsidiaries. These include Union Bancorp, its California and Arizona banking arm, Mocatta Metals, its gold bullion and metals trading company, and several smaller companies engaged in fund management, insurance, leasing and merchant and commercial banking.

The Third World debt provision resulted in Standard recording a pre-tax loss of £224m for the first half of this year, compared to a profit of £131m in the same period last year.

However, the group also disclosed that it has been having bad loan problems in other areas, notably in the US, Canada and Malaysia, which necessitated a further provision of £74m. The dividend is to be maintained at 12.5p.

Yesterday's developments complete the round of Third World debt provisioning by the leading UK banks. Altogether the Big Four clearers and Standard Chartered have set aside £3.4bn against exposures totalling more than £13bn.

Only NatWest, the largest clearer, was able to sustain these provisions without reporting a large loss at the interim stage. Apart from Standard Chartered, Midland Bank was obliged to take remedial steps by making a £700m rights issue and selling parts of its business to realise cash.

Lex, Page 16

PULLING AN ECONOMIC RABBIT OUT OF THE HAT

Argentine Foreign Minister Dante Caputo: scepticism over efforts to revive investment, Page 4

Spandau played role in East-West relations

WHEN the Spandau War Crimes Prison is demolished after the *death of its last inmate, Rudolf* Hess, Moscow will lose a macabre foothold in West Berlin, but it will be left with strong military powers, **Reuter reports from West Berlin.**

Allied officials announced yesterday that *administration of Spandau* jail by Soviet, British, French and US officials will be withdrawn by the end of the week and destruction of the fortress-like building can then begin.

Spandau is one of three sites in West Berlin where Soviet officers have been permanently based, manning the perimeter watchtowers for three months of the year and patrolling the building itself around the clock.

The prison was frequently visited by special protocol officers from the Soviet Embassy in East Berlin, who could talk to Hess and keep valuable contacts with Western counterparts.

Allied sources say the regular contacts, involving official military and diplomatic consultations together with social contacts in the prison restaurant, will be missed.

But they say the disappearance of Spandau will in no way undermine Moscow's wide-ranging powers established in 1945 when Soviet troops stormed into Berlin and stifled the last Nazi resistance.

Two months later, British, French and US troops moved in to occupy Western sectors of the city *by agreement.*

Moscow's powers are still rooted firmly in occupation law and post-1945 agreements with the three Western allies.

"To suggest the Soviets needed to hold on to Spandau even after Hess's death is just nonsense. It was a convenient operation for them, but in no way vital," one official says.

The Western allies are still obliged to consult the Soviet Embassy in East Berlin on a broad spectrum of crucial issues, including traffic between the two parts of the city, status issues and air and land traffic to West Germany.

The Soviet military continues working alongside Western allied officers at the Berlin Air Safety Centre, which monitors air traffic approaching West Berlin. Two soldiers stand permanent guard at the Soviet war memorial here.

Soviet officers drive through the Checkpoint Charlie crossing in the Berlin Wall to patrol the Western half of the city, skirting the edges of US, British and French bases as they gather low-level intelligence.

"They've still effectively got us by the throat if things get nasty. It's all a delicate balance so we have to get on with each other even when things aren't so rosy between our capitals," one allied source says.

The US, for example, is currently pressing for new air links between West Berlin — an "island" surrounded by Communist territory — and Western Europe. Since 1945, West Berlin has had only three air corridors originally conceded by Moscow to serve the 12,000-strong Western garrisons here.

If Moscow refuses to endorse new links, West Berlin faces growing air traffic congestion and aggravated economic problems.

For once the right-wing parties look more united than the left, **Hilary Barnes** reports

Splits present Danish voters with clear choice

DANISH voters are being offered a more clear-cut choice *than usual between Socialist* and non-Socialist alternatives in the Folketing (parliament) election to be held on September 8.

They owe this to the skill of Prime Minister Poul Schlueter in holding together for five years a four-party, non-socialist minority coalition, consisting of his own Conservatives, the *Liberals, the Centre Democrats* and the Christian People's Party.

For once it is the right which *looks more united than the left*, a factor which probably gives the so-called "four-leaved clover" an edge in what promises to be a close contest.

The main alternative to the present coalition is a *government of the Social Democrats*, led by former prime minister Anker Joergensen, either in coalition with or (more probably) supported from the sidelines by the more extreme left-wing Socialist People's Party and perhaps the anarchic Marxist-Leninist-Maoist mixture of the left-wing Socialists (who may fail to get back into the next Folketing).

Only once before, for a few months in 1966, has there been a left majority in the Folketing.

The Social Democrats dominated governments for most of the 50 years until 1982, but *always with the support of one* or more of the parties to their right. The party's electoral support has gradually been eroded as the industrial working class has shrunk as a proportion of the total population. Opinion polls indicate that it will not make the 31.6 per cent of the vote which it won in 1983.

Instead, the Social Democrats are being challenged from the left by the Socialist People's Party, which finds most of its support among the white collar employees in the civil service, education and health sectors. The party gained 11.5 per cent in 1983 but in opinion polls over the past couple of years has consistently picked up 15-16 per cent.

Although the two socialist parties see eye to eye on many things, the Social Democrats are more cautious and pragmatic on most issues and the parties are bitterly divided on foreign policy," with the Social Democrats in favour of the North Atlantic Treaty Organisation and the EEC, both of which the Socialist People's Party opposes.

But nothing is very clear-cut in Danish politics, with nine parties represented in the Folketing and 13 fighting the election.

The election is so closely balanced that the outcome could be a Folketing in which there is no firm basis for either of the main alternatives.

This would be the situation if the tax-protest Progress Party, led by lawyer Mogens Glistrup, making a come-back in this election after having served a *four-year prison sentence for* tax fraud, should have the deciding votes in a hung parliament.

Mr Schlueter's coalition has always been dependent on the support of the Radical Liberal Party, which holds the balance *between Left and Right in the* Folketing, as it nearly always has done for more than 50 years.

Mr Niels Helweg Petersen,

Schlueter: writing.

FOLKETING ELECTION RESULT 1983

Party	Seats	% votes cast
Social Democrats	56	31.6
Socialist People's Party	21	11.5
Left Socialists	5	3.6
Radical Liberals	10	5.5
Conservatives	42	23.4
Liberals	22	12.1
Christian People's Party	5	2.7
Centre Democrats	8	4.6
Progress Party	6	3.6
Greenland and Faroes	4	1.4
Total seats	179	

the Radical leader whose role as kingmaker makes him one *of the most influential persons* in Danish politics, says that his party could not give its support to any government which has *to rely on the votes of the* Glistruplites. But he also expresses lack of confidence in the Social Democrats to form a competent administration.

The best guess is that in this situation Mr Schlueter would *form a Conservative Party* minority administration, but this is only one of many guesses mooted in the corridors of the Folketing.

The coalition will run on its record, generously spliced with "red scare" rhetoric, in which the voters will be warned against allowing the Socialist People's Party a decisive say on government policy.

Calls for the restoration of social welfare cuts made by the coalition will figure large in the *campaigns of both* the socialist parties. The main real cut was obtained by freezing the maximum rate of unemploy*ment benefit at Kr 105.000* (£8,400) a year—the rate used to be index-linked. But as public sector spending in real terms barely increased from 1982 to 1886, public sector employees are feeling hard done by and this will be exploited by the socialist parties.

The Social Democrats say Kr 5bn is enough to restore the cuts, but the Socialist People's Party wants to spend an extra Kr 10bn — and is prepared to increase just about *every tax there is to* help finance the programme.

The chronich current balance of payments deficit, which has produced a net foreign debt equal to 40 per cent of the gross domestic product and 124 per cent of total export revenues, will be the dominant problem for whoever forms the next government.

The chronic current balance a boom from 1983 to 1986, with an annual GDP growth rate of 3.6 per cent. Unemployment fell from almost 11 per cent in 1982 to under 8 per cent last year, but the current *account plunged more heavily* into deficit than ever, reaching Kr 34.5bn, or 5.2 per cent of the GDP.

The fiscal brakes are now hard on. A small fall in GDP is expected for 1987 with little or no recovery on 1988.

The current account is improving as imports fall, but the extent of the improvement is *being inhibited* by an unsatisfactory wage settlement last winter. Together with an increase in employer social security taxes and compensation for a shorter working week, hourly wage costs in the second quarter increased by 10-11 per cent from last year. Add the average appreciation of the krone—linked to the D-mark in the EMS—and the relative increase in wage costs was 14-15 per cent. This is showing up in deteriorating profits in the *large export companies, such as* Novo, the pharmaceuticals and enzymes maker.

The Government has pinned its faith on a stable exchange rate. It received unequivocal backing for this stance in the annual Denmark survey by the Organisation for Economic Co-operation and Development, published earlier this month. But while no one relishes the idea of a devaluation, there is widespread scepticism in financial markets as to whether it *will be possible to maintain* the present exchange rate when the recession begins to send the unemployment figures into *orbit next year. This is* reflected in a 2½ point rise to 12 per cent in the three-month forward rate for Eurokrone over the past few weeks.

Hess said to have committed suicide

By Peter Bruce in Bonn

ADOLF HITLER'S *former* deputy, Rudolf Hess, apparently killed himself in Berlin's Spandau Prison on Monday afternoon.

Hess, 93, was declared dead in the British Military Hospital in West Berlin at 4.10 pm after being rushed there from the prison where he had spent more than 40 years for his role in Nazi Germany.

A British Military Government (BMG) statement *yesterday said that "preliminary* investigations show that Rudolf Hess attempted to take his own life. On the afternoon of August 17 Hess, as he was accustomed to do, went, escorted by a prison warder, to sit in a small cottage in the garden of the prison. On looking in the cottage a few minutes later the warder found Hess with an electric cable around his neck."

A BMG spokesman said *attempts were made to* revive Hess, but he would not say whether he was found hanging or lying on the floor.

British pathologists were yesterday examining the body to determine whether his apparent suicide attempt had, in fact, been successful.

Spandau Prison is to be destroyed to prevent it becoming a neo-Nazi shrine but if Hess did commit suicide it is possible that his grave might serve much the same purpose for extremists who would see death as heroic.

Hess's body is to be handed over to his family, probably this week, for burial. His wife Ilse, 87, and son Wolf-Ruediger are still alive and the family graves are near the Czech border, in Bavaria.

W German money supply eases

By Andrew Fisher in Frankfurt

WEST GERMANY'S money supply growth slowed last month but still remained *above target, the Bundesbank* said in its latest monthly report. The closely-watched central bank money stock, comprising cash and easily withdrawable bank deposits, rose at a seasonally-adjusted annual rate of 7.5 per cent.

This compared with 8 per cent in June and 7.9 per cent in May. The actual target band is between 3 and 6 per cent based on the level of the fourth quarter of 1986.

The slight decline was expected by the Bundesbank after the reversal of earlier speculative inflows which occurred as the D-Mark *continued to strengthen. Also,* for reasons not easy to establish, cash in circulation developed less rapidly.

Within the Bundesbank, the faster than targetted growth of central bank money stock over the past year and a half has been viewed fairly calmly. Inflation has been virtually non-existent, as the strength of the D-Mark and lower commodity, especially fuel, prices have cheapened import prices.

It is beginning to creep up again, however, though the July rate was still only 0.7 per cent. "We won't have the negative inflation rates that we had for part of last year," said Mr Karl Otto Poehl, the Bundesbank president. "But we are at the lower end of the major industrialised countries. I would described that as price stability."

Countering some domestic criticism of the money supply growth rate, Mr Pohl said central bank money stock should be seen in relative terms together with exchange *rate and economic trends.* The Bundesbank report showed that other monetary indicators also grew more *slowly in the first half of the* year. The broadly defined M3 was 7.5 per cent higher at end-June than at the same time last year.

Japan has need of fresh economic goals

BY IAN RODGER IN TOKYO

JAPAN HAS entered a new stage in its development during which new goals are required, the Government's Economic Planning Agency said yesterday.

The Agency said in its annual white paper that Japan's drive to catch up with western countries had been completed and so had lost its value as a national goal. The country's new goals should be providing a better quality of life for the Japanese *people and making a greater* contribution to the management of the international economy.

"The major *problem confronting* the world is the trade and budget deficits of the United States," the Agency said. "However, Japan cannot remain a spectator of this serious problem. Japan must take initiatives for suppressing protectionism in order to protect the free trade system.

"It was necessary for Japan to construct an internationally harmonious economic structure. An increase in overseas investment, establishment of conditions for both domestic and international competition, expansion of *imports and improvement* of market access will help serve such an end."

The EPA says that Japan's economy has been "deadlocked" because its foundation has been based on foreign demand. It claims that the restructuring of the economy is progressing quickly, but the question is whether or not the country's bloated trade surplus will decline quickly enough to defuse tensions with other countries.

Mr *Yasuo Katsumura*, director general of the Agency's research bureau, said at a press conference yesterday that the high level of *the surplus* presented dangers, but he thought that once the (downward) direction became clear, then the tensions would recede. The EPA has forecast that the current account surplus in the current fiscal year to March 31, 1988 would decline to $74bn from $93.7bn last year.

Thai army attempts to improve image by agrarian development

Peter Ungphakorn in Bangkok reports on the debate surrounding the Thai military government's increasing involvement in regional civil affairs.

ALMOST every day peak-hour televison news in Thailand has been showing pictures of the army systematically blowing up parts of the northeastern Isarn region.

The communist insurgents, who 10 years ago commanded strongholds in the mountains of this, the country's most deprived region, are no longer the targets. The army is blasting irrigation canals and reservoirs out of the arid soil in a drive to turn the Isarn green.

The Rambo-style development strategy has aroused considerable controversy and revived questions *about the army's role* and ultimately government leadership in this kingdom that is beginning to enjoy to some degree a reputation of durable democracy.

Not that those questions ever have an opportunity to rest for long. *The last successful coup d'etat was* in 1977, but the latest failed attempt was two years ago and rumours of coup plotting seem to resurface every few weeks.

A "green" Isarn can also mean one under army domination. The army uniform is green khaki and some see the move as an attempt by the Army Commander-in-Chief, Gen Chavalit Yongchaiyudh, to gain popularity and confirm himself as the successor to the present Prime Minister.

But unlike some of his rivals and supporters, Gen Chavalit is not a Rambo figure. He is better known *as a shrewd strategist,* associated with a dovish line and an amnesty for insurgents who wanted to return from the jungles.

The Prime Minister, Gen Prem Tinsulanonda, has now been in office for more than seven years, during which *time he has called two* general elections. But he himself has never stood for election.

The constitution allows a non-elected prime minister, but Gen Prem's legitimacy has been challenged, particularly by elected MPs.

This has created tension, particularly between Parliament and Gen Prem's appointees and military supporters. MPs now scrutinising the budget bill at its committee stage say the defence budget is too large. The army has accused them of incompetence, corruption and irresponsible power-broking.

Gen Prem enjoys popularity in some areas, but his powerbase is in the army — or at least the ascendant factions in it. He needs Gen Chavalit's support and Gen Chavalit needs his help in securing an appropriate balance when army promotions are worked out.

In the next few weeks a new Deputy Army Commander is to be appointed in the annual list of retirements and promotions — always a time of tension in Thai politics.

Whoever is appointed is likely to take charge of the army when Gen *Chavalit retires and could make or* break whatever political ambition Gen Chavalit has.

When he became army chief last year, Gen Chavalit promised to remain for only two years. There is speculation that he might break *that promise, but officially the time*table for retirement is still next year at the age of 56, four years ahead of mandatory retirement.

Gen Chavalit's retirement schedule is unusual and intriguing. Some senior officers suggests it is designed to allow a steady flow of promotions and avoid the conflict that would arise if he were to remain at the top, blocking the way for others for six years.

It has also been suggested that by next year Gen Prem, who will be 68, will be ready to retire from politics, although that cannot be taken for granted.

Privately, some suggest a deal might have been struck when Gen Chavalit was first appointed commander, specifically to allow the different factions to alternate at the top and to defuse rivalries.

An indication of whether that is true could be provided when the identity of the new deputy commander is known. The two front runners are both assistant commanders — Gen Sunthorn Kongsompong is said to support Gen Chavalit, while Gen *Pichit Kullavanijaya* is a rival once tipped to become army commander ahead of Gen Chavalit.

Since taking command, Gen Chavalit has floated ideas and introduced changes ostensibly to make the army more professional and less political, including a proposal to scrap conscription. He has portrayed himself as a champion of democracy, promising never to allow a coup d'etat while he is in charge, although some of his comments about elected politicians have been less than charitable.

Thailand's business modernisation prevents military officers from enjoying the widespread involvement in business that was prevalent 20 years ago.

Army officers *increasingly* recognise that Thailand's democratic image is important for foreign investment. But in other respects the army is trying to increase its role in the country's development, either directly or through its counter-insurgency affiliate, the Internal Security Operations Command (ISOC). It has even been building suburban roads for Bangkok and buying rice to support prices.

The green Isarn plan is the first of this scale involving the army. It reflects a number of wider issues and concerns.

The broader question is why the army is *taking responsibility for* greening the Isarn at all when four civilian ministries — Interior, Agriculture, Health and Education — and dozens of development agencies are already active in the region.

Part of the answer lies in the failure of the civilian agencies to help the 18m people in the 17 provinces — about a quarter of Thailand — keep pace with Thailand's economic growth, expected this year at about 6 per cent.

But in the attempt to defuse criticism, Gen Chavalit says the civilian agencies will still take the lead in Isarn's development.

Communist insurgency *may have* died out in most of the northeast — and the rest of the country — but the army argues it needs to maintain a presence in all regions to prevent a recurrence, and that its presence should include rural development.

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Upheaval in Bulgarian government

By Judy Dempsey in Vienna

SWEEPING CHANGES, including the dismissal of a Deputy Prime Minister, the abolition of some ministries and the scrapping of several *councils were announced in* Bulgaria yesterday.

The changes, which took place during a meeting of the National *Assembly* came less than a month after the country's Communist party leader, Mr Todor Zhivkov, delivered a major speech at the central committee plenum in which he proposed a radical restructuring of Bulgaria's economic and political structures.

The changes include the dismissal of Deputy Prime Minister Kiril Zarev, and abolition of the Economic Council, the Social Council, *the Agriculture and Forestry* Council, the Council for Intellectual Development and the Committee for Research and *Technology*. These councils were set up two years ago in a move designed to modernise and streamline the running of the economy as well as introduce technological developments. Several ministries were abolished or amalgamated at the time.

During yesterday's session, the Finance and Trade Ministries were abolished. But in a move which has confounded observers, the National Assembly revived some of those ministries which were scrapped in 1984, placing some of the former chairmen of the abolished councils as *heads of the new ministries.*

Nuclear power still vital to EC, says report

BY TIM DICKSON IN BRUSSELS

THE CHERNOBYL disaster may have altered public opinion about nuclear energy but according to the European Commission it will continue to play a "major role" in meeting the EC's needs. *A review** of nuclear power in the years after the explosion at the Soviet plant in April 1986 *points out that nine reactors* entered commercial operation during this period (eight of them in France), boosting the Community's nuclear capacity to more than 86 gigawatts, or a 15 per cent increase.

Within the EC, more than 30 nuclear power stations are at various stages of construction "and it is likely that the large majority of these stations will be put into commercial service within the next five or six years." This would add another *30 or so gigawatts* electrical capacity to the grids.

The Commission says it is "still too early" to make predictions concerning the growth of nuclear power in the long term but it notes "preliminary indications that public opinion may be slowly returning to its support—at least in some countries." Pointers to Europe's nuclear future could be the achievement of 100 per cent power by the Community's first commercial size fast reactor, Super Phenix, and the UK Government's approval for Sizewell B.

The review points out that in the 15 years before Chernobyl, nuclear power had increased its share in the EC as a whole from 2 to 13 per cent. Both France and Belgium have been generating more than 60 per cent of their electricity from nuclear plants, while five other member states have no nuclear programme at all.

**Energy in Europe, Energy policies in the European Community. Number 7. July 1987. European Commission, Directorate-General for Energy.*

Spain's consumer prices up 1%

BY DAVID WHITE IN MADRID

SPAIN'S CONSUMER price index shot up by a full 1 per cent last month after a zero increase in June. Although this left the 12-month increase unchanged at 4.9 per cent, because of a similar seasonal pattern last year, the announcement unsettled investors confidence on the stock market.

The figures reflected a 2.1 per cent jump in food prices, caused by sharp increases *for fruit, poultry and vegetables.*

Mr Guillermo de la Dehesa, Secretary of State for the Economy, said that with accumulated *inflation of 2.9* per cent in the first seven months of the year the Government was still on target to meet its 5 per cent goal for the year. This would compare with 8.3 per cent last year, when Spanish prices had to absorb the impact of value-added tax being introduced.

The official forecast was *challenged, however, by the* Communist-led trade union body, Workers' Commissions, which said that the 5 per cent target would be "tremendously difficult" to attain.

The general index on the Madrid stock exchange slipped by 2.92 points to 288.76 in yesterday's session.

● Hundreds of southern Spanish farmers obstructed traffic on the main Madrid-Seville road yesterday in a second day of protest about *prices for sunflower-seed oil.*

Hungary resumes diplomatic links with Israel

By Our Vienna Correspondent

ISRAEL and Hungary are resuming diplomatic contacts with the opening of oces to look after each other's interests, state-run Israel radio reported yesterday. Foreign Ministry officials in Budapest would not confirm the decision.

Several high level meetings have recently taken place between Israeli and Hungarian officials, ending years of silence after Hungary cut off diplomatic relations with Israel after the Six Day war in 1967. In July, Mr Yeshayahu Anug, the deputy director general of the Israeli Foreign Ministry, travelled to Vienna where he *held talks with officials from* the Hungarian Foreign Ministry.

Since the early 1980s, social, *cultural and economic contacts* have improved. The Israelis had an exhibition sand for the first time at the Budapest Spring Fair.

Swedish trade surplus rises in July

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SWEDEN'S TRADE surplus in July rose slightly to SKr 2.8bn (£270m) from SKr 2.71bn a year ago, according to figures from the Swedish Central Office of Statistics. Both exports and imports showed a 6 per cent increase in value.

In the first seven months of 1987, however, the trade surplus has fallen by some SKr 4bn to SKr 18.7bn from SKr 22.67bn in the corresponding period a year earlier. The value of exports in the first seven months has risen by some 4 per cent while the value of imports has *jumped by 7 per cent*

July was the ninth month in succession that the trade surplus, excluding oil and ships, was lower than in the same *month a year earlier.*

Unemployment in Sweden is still falling and declined to only 1.8 per cent of the work*force in July*

Statistics feed those Italian parts even pasta fails to reach

Numbered among the 51 per cent of the population not holidaying in August, **John Wyles** casts a dubious eye over some Italian figures.

THE TRUTH, it seems, can never be established in Italy without a statistic. The nation's passion for quantifying every situation rivals that of America, and may, indeed, have been exported there.

Forty-nine per cent of the population, we were recently informed, takes its holiday in August. As they broil gently on a sandy beach or ruminate more bucolically in a mountain retreat, the one person in 9.3 who buys a daily newspaper has been fed an almost indigestible statistical diet this month to deepen his or her understanding of the tourism phenomenon.

Some of the numbers have an immediacy which defies belief. Harried by a journalist, some poor official conjures up a number which enters immedi*ately into the descriptive* language.

Young travellers with rucksacks were 60 per cent fewer in Venice last weekend, according to two Italian newspapers yesterday — a "fact" about as credible as the count of 13.7 per cent (such verisimilitude in a decimal point) more bus passengers in Rome one day last spring when the centre was closed off to motor cars.

It seems that fewer inhabitants have quite Rome this August than *usual, judging by* the reported "fact" that the daily harvest of refuse in the first 10 days of the month has been 2.4m tonnes compared to 2.1m last year. How many more have stayed at home? Well, the water *authorities have* noted that on August 14 and 15, 2.843m cu metres of water were supplied against 2.708m cu metres last year. The deduction suggests 150,000-200,000 people.

The fact that whole milk sales in Rome were 236,000 litres on August 12 and double those of August 13 last year should not, however, lead us to conclude that the stay-at-homes are savagely milkaholic. Sales last year were heavily depressed by the "Chernobyl effect," caution Roman suppliers.

Nor should we necessarily conclude that it is the criminal element which has renounced *its August holiday just because* alarm calls to the police in the first 10 days of August were 22.5 per cent higher than last year and because double the number of arrests have been made in the city.

Curiously, those in the know have been more circumspect in counting the increase in the number of foreign tourists to Italy this year, despite the certainty that there are more Americans around. They have been less hesitant about the financial impact, however. A gentleman from Confesercenti, one of the trade associations, was quoted as being confident that currency earnings from tourist spending would be 10-15 *per cent higher* this year than the L15,000bn (£697bn) recorded in 1986.

Needless to add that we have recently been furnished with a breakdown of Italian and foreign tourist expenditure—by courtesy of the FT's Italian look-alike, Il Sole 24 Ore. The foreigner spends an average of only six days on holiday in Italy to the Italian's nine, but he forks out L264,000 a day compared to the native's L140,000.

But the foreigner is not in the same league as a pleasure seeker, disbursing a holiday average of L120,474 on "shows and amusements" compared to the Italian's L140,954. Moving to the table, the difference is even more pronounced, the Italian eats his way through L122,063 while the foreigner nibbles a paltry L52,310.

By one account, Venice is doing its best to boost the averages. It has courted the most un*fortunate publicity abroad this* year by seeming to want to control the numbers of touirsts coming aboard and then fining those who are eating in the wrong public places. According to one Austrian newspaper, when you can eat legally in Venice you may find yourself paying more than L30,000 (£13.90) for a plate of pasta. This is one statistic that would shock any Italian—into congratulating the restaurant proprietor on his good fortune in finding a clientele whose appetite was matched only by its extravagance.

US keeps fleet movements secret

By Tony Walker in Bahrain

THE US Navy has clamped a security black-out on the movement of its warships in the Gulf on the departure times of reflagged convoys of Kuwaiti tankers.

US officials are deflecting reporters' questions about ship movements by reminding them of the use by Mr Casper Weinberger, the American Defence Secretary, the Second World War injunction that "loose lips sink ships."

Secrecy shrouds the plans of the USS Guadalcanal, the 18,000-tonne marine assault vessel, that slipped past Iranian shore batteries under cover of darkness into the Gulf at the weekend with eight Sea Stallion mine-hunting helicopters on board.

The Guadacanal was reported yesterday to have been sighted off Dubai in the southern Gulf. It had remained at anchor for most of Monday just north of Bahrain in the central Gulf while its Sikorsky-built helicopters conducted practice runs.

It is expected that the helicopters will, in the next few days, clear a path for a convoy of Kuwaiti tankers flying the Stars and Stripes that are moored in waters off Kuwait awaiting orders for their return journey down the Gulf and through the Strait of Hormuz.

The Sea Stallions are equipped to clear mines of the moored contact variety that are believed to have been laid by Iran. The helicopters detonate the mines by dragging a sled-like device through the water.

The US Navy and Kuwaiti shipping authorities are playing a game of cat and mouse with Iran in an effort to minimise the risk to tankers and warships moving up and down the Gulf.

Iranian Revolutionary Guards operating from a base on al Farisiyah island in the northern Gulf, are widely believed to have laid the mine that holed the Kuwaiti supertanker, Bridgeton, on July 24, just hours before the US-escorted convoy entered the fairly narrow channel north of the island.

Our Correspondent adds from Nice: More than 100 Saudi Arabians, including top members of the ruling royal family, have been ordered to leave their holiday homes here and return to Riyadh immediately because of mounting tension in the Gulf and threat of terrorist attack.

The mass exodus on the explicit orders of King Fahd, has taken the Riviera by surprise, coming right in the middle of the holiday season. No official reason has been given, but it is assumed the king wants his immediate family around him

US NAVAL PRESENCE

Gulf itself: Command ship, USS La Salle. Marine assault vessel, USS Guadalcanal. Six escort vessels, including Aegis cruisers, Kidd-class guided missile destroyers and Perry-class frigates.

Northern Arabian Sea: USS Constellation carrier task force six support vessels, including at least one Aegis-class cruiser, a combination of destroyers and frigates, and supply ships.

Approaching: USS Missouri with escort vessels. USS Raleigh, designated as an amphibious transport dock with four wooden-hulled coastal minesweepers on board that were used in the rivers of Vietnam.

FRENCH NAVAL DEPLOYMENT

Clemenceau carrier task force approaching to supplement existing force in the region believed to include two smaller warships.

Three Eridan class minesweepers also being despatched to the region, accompanied by a supply vessel.

BRITISH NAVAL DEPLOYMENT

One Cardiff-type destroyer and two frigates in the region. Presence to be supplemented by four Hunt-class mine counter measure vessels.

Sinhalese resentment at Indian accord bursts into violence

John Elliott, South Asia Correspondent, reports on the political and ethnic tensions behind the attack on Colombo's parliament

THE GRENADE attack in Colombo's parliament building yesterday morning marked the long-awaited explosion of pent-up public opposition against the accord signed on July 29 by President Junius Jayawardene Sri Lanka and Mr Rajiv Gandhi of India to try to settle the island's Tamil ethnic unrest.

The accord was intended to end four years of escalating violence which has claimed at least 6,000 lives, crippled ambitious economic development plans, and was threatening to engulf the island in wider economic hardship and social unrest.

But while it has successfully stopped Tamil violence in the north and east of the island, at least for the time being, the accord has sparked furious resentment among the majority Sinhalese race, including the Buddhist clergy.

The Buddhist-dominated Sinhalese are angry that the minority Tamils have been given extensive devolutionary concessions in the north and east. But they are particularly angry at India's direct involvement in the deal, its heavy army presence of over 6,000 troops on the island in the form of a peace-keeping force, and its new influence on Sri Lanka's internal and external relations.

The result is that Sinhalese extremists have replaced the Tamils as the violently active opponents of Government policy. The front line of the country's ethnic battles has moved to the south, and especially to the capital of Colombo, from the more remote and less economically important north and east.

The Janath Vimukthi (JVP) or People's Liberation Front, which is believed to have been behind yesterday's attack, is a Marxist-based revolutionary organisation which has adopted the mantle of Sinhala chauvinism in the past year to appeal to disenchanted Sinhalese youth. It is believed to have sent young activists into Buddhist temples and monasteries to sharpen the anti-Tamil views of monks, and to enable the activists themselves to dress in monastic orange robes.

Even before the deal was signed, Sinhalese resentment spilled over into major riots and marches which threatened the security of the centre of Colombo, and the stability of President Jayawardene's government, until the Sri Lankan army was flown south by Indian transport planes to barricade the city.

Then a Sinhalese sailer in a guard of honour demonstrated the strength of anti-Indian feeling by clubbing Mr Gandhi over the head in Colombo with his gun, a blow which could have been serious or even fatal if Mr Gandhi had not ducked out of range.

Since then Colombo has been tense, waiting for the expected explosion of public opposition. For several days Sri Lankan intelligence reports have been warning of mass and possibly violent protests against the accord to coincide with the planned opening of parliament yesterday.

So the fact that there was an attack is not surprising. Assuming the suspicion that the attack was organised by the JVP is correct, the successful breaching of security cordons yesterday demonstrates how difficult it is for the Sinhalese-dominated government to use Sinhalese security forces to protect itself from activists of its own race.

Ironically the minister most seriously injured yesterday was Mr Lalith Athulathmudali, Minister for National Security, who has never favoured the deal and has been accused by its supporters of wanting to undermine it. Along with Mr Ranasinghe Premedasa, the Prime Minister and another critic of the deal, he is ambitious to succeed President Jayawardene and neither man has made any move which would undermine his chances.

President Jayawardene took a big gamble when he suddenly decided last month to strike the deal with India. He had come to accept that no deal was possible directly with the Tamil extremists and that India's involvement was also essential because the extremists were based in, and tacitly supported by, India.

He took the logical but highly controversial step of striking the deal direct with Mr Gandhi, leaving to India the job of bringing the Tamil extremists to heel. That has given India the key to the regional supremacy it has wanted over Sri Lanka, which it has long suspected of being too pro-US. It has also given India a military presence of 6,000 troops backed up by approaching 300 armoured and transport vehicles.

The presence of these soldiers is deeply resented in Sri Lanka and President Jayawardene has, to appease domestic opinion, been saying he hopes they will leave this month. This has annoyed India and is clearly impractical because of the security situation on the island.

Yesterday's attack is unlikely to have shaken President Jayawardene's resolve because he has long said that he was worried about the JVP threat. The attack has, however, made Sri Lanka even more reliant on India's help to keep the Tamil extremists quiet in the north and east while it tries to deal with the new terrorist threat from its own people in the south.

Southern terrorists who present a new challenge to Jayawardene

BY MERVYN DE SILVA IN COLOMBO

THE "southern terrorists" President J. R. Jayawardene accused of attempting to kill him and government leaders are the Peoples Liberation Front (JVP), a party he proscribed soon after the anti-Tamil riots in July 1983.

Late last month Mr Jayawardene accused the JVP, now the island's most rabidly pro-Sinhalese and anti-Indian party, of masterminding the widespread violence last month in Colombo when Mr Rajiv Gandhi, the Indian Prime Minister, arrived to sign a peace accord to settle the five-year-old Tamil separatist revolt.

Mr Jayawardene's sudden decision to negotiate and sign accord in the absence of his prime minister was prompted, in part at least, by the increasingly alarming reports of resurgent JVP activity in the Sinhalese south, mainly among lower-middle class youths and university students. Police were also investigating JVP infiltration of the lower ranks of the armed services, following JVP raids on army camps and military establishments and surprisingly large number of desertions from the army in recent months.

Mr Rohana Wijeweera, one of the JVP leaders and a Lumumba University drop-out, launched a youth insurrection against Mrs Bandaranaike's newly elected centre-left coalition in 1971 which led to the army massacre of 10,000 Sinhalese youth. Mr Wijeweera and the top leaders were in jail when Mr Jayawardene's conservative UNP swept the polls in 1977.

Mr Jayawardene said a few days ago that he had released the JVP leaders to allow "them to enter the mainstream of politics just as I am now doing with Tamil militants." Mr Wijeweera came third of the seven candidates at the October 1982 presidential election, polling nearly 300,000 votes against Mr Jayawardene's 3m. Up to that point, the JVP had concentrated its fire on opposition leader Mrs Bandaranaike.

The postponement of general elections for six years and the ban on the JVP six months later forced the party to drop its Marxist line and operate from underground through assorted front organisations, chiefly the younger monks, the trade unions and student bodies.

Taking a hard line on the ethnic issue, the JVP presented the party as "the young lions" (the Sinhalese are self-styled "the lion race") who could fight the Tamil "tigers" (the name of the strongest Tamil guerrilla group) more effectively than an "impotent regime led by an ageing president." The JVP even questioned the president's Sinhalese ancestry.

The lion-tiger parallel became extremely popular among Sinhalese youth who are aware that Mr Wijeweera's home is in the deep south, in contrast to the Tamil Tigers whose stronghold is in thet northernmost parts of Sri Lanka. Both leaders, Mr Wijeweera and Mr Prabhakaran, belong to a caste lower than the farmer caste which has produced Sri Lanka's prime ministers and presidents (with thet notable exception of Mr Premadasa).

The National Intelligence Board is now re-screening thousands of recent recruits to the armed services. The Tamil insurgency saw a five-fold increase in the army's numbers and recruitment procedures were quite lax. "The JVP phenomenon," the Colombo University's Professor Gunasinghe notes, "should be understood in terms of recent authoritarian trends, especially the postponement of polls, youth unemployment and inflation, the spread of violence, a by-product of the militarisation process, and of course the rise of middle-class Shinhalese chauvinism in reply to aggressive Tamil

Mr Jayawardene recently offered to grant an amnesty to Sinhalese terrorists if they handed over their arms to the nearest police station. The next day 20 uniformed Sinhalese youths attacked an army camp in Anuradhapura, a Sinhalese town 150 miles north of Colombo.

Although the 81-year-old President Jayawardene was nonchalant enough yesterday to say he would keep his blood-spattered shirt as a memento of his long battle to preserve democracy and the unity of Sri Lanka, he is too experienced a politician not to realise that he now has to face a new front just as the northern war is coming to an end.

He has already deployed a crack battalion, relieved of its duties in the north by the Indian peace-keeping force, to the deep south. Three Indian frigates are still berthed near Colombo harbour with over 1,000 Indian commandos aboard.

Mr Jayawardene said recently that Mr Gandhi was personally responsible for the peace accord. Its survival depends very much on Mr Jayawardene's own continuation in office.

S African miners 'drift back to work'

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA'S black miners' strike has entered its second week with signs of a growing drift back to work and shifts in managements' strategies.

According to the Chamber of Mines fewer men absented themselves from work yesterday morning. This is corroborated by Gencor, the second largest of the country's mining houses, which has reported improving labour turnouts at its Bracken, Leslie, St Helena and Unisel mines.

The drift back to work continued despite the Chamber of Mines' firm refusal to negotiate wage increases above the 17 per cent to 23.4 per cent implemented unilaterally on July 1. However the return to work at some mines has been accompanied by stoppages at other minerals processing plants.

Yesterday 200 men remained on strike at the Wadeville platinum refinery owned by Matthey Rustenburg Refiners. The refinery, which is believed to produce more than 500,000 ounces of platinum a year, was struck on Monday as part of a year-old protest at plans to close the refinery and open a new one in the nominally-independent black homeland of Bophuthatswana where South African unions are not allowed to operate.

In another development Nufcor (Nuclear Fuels Corporation), which is owned jointly by the mining houses and which processes half South Africa's uranium prior to export, locked out more than 100 strikers for fear of sabotage.

Yesterday afternoon the National Union of Mineworkers resumed talks with Anglo American Corporation, the largest of the mining houses, on means of reducing the violence which has left more than 200 miners injured. The union has called for the demobilisation of Anglo's security forces, the group's privately-owned and armed paramilitary group, and the force's withdrawal from mine hostels.

Anglo has countered with proposals that specified areas be set aside for peaceful picketing and that normal access to mine shafts restored.

Angola wants to join IMF

BY VICTOR MALLET

ANGOLA, the only African country which is not a member of the International Monetary Fund, has announced that it wants to join the organisation to help rebuild its economy.

President Jose Eduardo dos Santos, in a speech carried by the official Angolan news agency, said his country needed the economic co-operation of the West.

"The Angolan Government has made known its intention to join the International Monetary Fund as part of its programme of economic and financial restructuring," he said, without specifying when Luanda would make a formal application to the Fund.

Since independence from Portugal in 1975 Angola has pursued Marxist-Leninist policies. Economic relations with the West have, however, become warmer in recent years and Angola signed the Lome convention in 1985 for closer ties with the European Community.

The 11-year-old war against rebels of the Unita movement, who are supported by the US and South Africa, has wrecked the economy and remains a constant drain on the Government's resources.

Hong Kong holds refugee talks with China officials

BY KEVIN HAMLIN IN HONG KONG

TALKS BETWEEN Hong Kong and Guangdong province officials, which began yesterday on arrangements for the speedy repatriation of the thousands of Vietnamese refugees who have arrived here from China, have been described as excellent by the Hong Kong Government.

Reports from Guangzhou indicate Hong Kong is requesting that Guangdong begins quickly accepting the return of the Vietnamese, considered here to be illegal immigrants because most have lived in China for up to 10 years, in batches.

A local radio report said Hong Kong has submitted an initial list of 300 Vietnamese names, which is to be checked by Guangdong officials. This process of verifying the credentials of Vietnamese arriving in Hong Kong from China has in the past taken up to one year.

More than 7,000 Vietnamese have arrived in Hong Kong from China during the past seven weeks. The sudden exodus was apparently triggered by a misconstrued Voice of America radio report on the US's resettlement policy, and by reports of a one-day amnesty granted by Hong Kong in April for the children of illegal immigrants from Chinia, says Hong Kong officials.

Many of the Vietnamese arriving in Hong Kong, who are mostly from China's southern provinces, say they have heard rumours that resettlement prospects have improved. Most of them work on state farms, and they complain that conditions are hard and wages poor. The average wage for such work is in the region of HK$ 350 (£29) per month.

Pressure from Hong Kong and the British Government appears to have prompted China into making greater efforts to stem the outflow.

Chinese officials claim that as many as 4,000 Vietnamese have been prevented from leaving China during the past few days. A further 130 Vietnamese were intercepted by Hong Kong's marine police yesterday, following the arrival of 404 on Monday.

WORLD TRADE NEWS

Japan acts on barriers to imported motor parts

BY IAN RODGER IN TOKYO

JAPAN and the US yesterday announced agreement on measures to allow foreign motor parts suppliers improved access to the Japanese market.

Japan will advise garages not to discriminate against vehicles containing foreign components when carrying out inspections similar to the British MoT test.

The campaign arose out of US complaints that one obstacle to foreign automotive component suppliers gaining access to the Japanese market was the widespread but erroneous belief among Japanese garages that the presence of foreign parts prevented a car from passing its periodic inspection.

In Japan vehicles have to be inspected every three years. The Ministry of Transport is sending notice to 10 district transport offices, 87 local land transport offices and 80, 22, 8 maintenance and repair outlets.

Officials at the Ministry of International Trade and Industry denied that there had been widespread discrimination against foreign cars and said no inference should be drawn from the Ministry of Transport previously condoning the misunderstanding of the regulations. They pointed to the wording of the notice, which said that the number of people suffering from a misunderstanding of the regulations was extremely small.

In a further move, Japanese vehicle makers have agreed that when they instal foreign made sparking plugs in their cars, they will also list the name of the plugs in the owners' manual. MITI said there had been a few cases where vehicle makers had not done this.

The motor parts agreement was achieved under the so-called MOSS talks, aimed at helping foreign parts makers establish relationships with Japanese vehicle companies.

Mr Bruce Smart, US Under Secretary of Commerce for International Trade, said last summer at the outset of the talks that the key issues were the tight relationships between Japanese companies and their suppliers which had developed into trade barriers. He said US makers supplied less than 1 per cent of the parts purchased by Japanese car makers.

MITI said Japanese car makers bought motor parts worth $2.5bn in the year to March 31.

Under the agreement, the Japanese will publish data on the progress of foreign parts sales in Japan. Also, a US auto parts industry office has been opened in Japan, sponsored by the two governments. An experts' group has been formed to deal with technical issues that arise, and high level follow-up meetings will be held to evaluate progress. MITI officials said they felt the agreement was "satisfactory" to both sides.

ITC report reveals objections in US to pre-shipment checks

BY PETER MONTAGNON, WORLD TRADE EDITOR

WIDESPREAD objections by US exporters to the activities of international pre-shipment inspection agencies are revealed in a report by the International Trade Commission published this week.

The report, which was commissioned last year by the US Trade Representative's office, makes no specific recommendation for action, but it is likely to fuel the growing controversy over the practice of inspections instituted by developing countries in an attempt to reduce capital flight through the false invoicing of imports.

Mr Ralph Chew, president of the US Exporters Association, said yesterday that publication of the report could help secure the removal of language favourable to inspection companies in the House of Representatives version of US trade legislation expected to be enacted in the autumn.

Claims by inspection companies that they are saving their customers large amounts of money was "spurious," he said.

However, the report met with a positive response from SGS, one of the leading inspection companies involved, which said it recognised the legitimate aims of inspection to counter capital flight and fraud and did not find that the inspection process of itself constituted a trade barrier.

"While we don't agree with some of the statements in the report, exporters who expected the report to justify unilateral action by the US against developing countries will be disappointed," said Mr Robert Burgess, president of SGS government programmes division.

ITC said about 70 per cent of respondents to its survey of US exporters had strong objections to the inspection process with about two-thirds voicing specific complaints on matters such as the quality of personnel employed by inspection companies, delays in shipments, additional costs and delays in payments.

About 19 per cent commented favourably, the ITC said. The three leading inspection companies conducting inspections of US exports are all foreign-owned. They are SGS Control Services, an affiliate of a Swiss company; Intertek Services International, which is UK owned; and Bureau Veritas of France.

The ITC said the price comparison procedure was the most contentious part of the inspection process.

"Under the criteria used by inspection companies to determine an acceptable price, it is possible that proposed export prices could be rejected by the inspection company even when there is no evidence of deliberate over-invoicing or under-invoicing, hidden fees or other illegitimate activity," it said.

Other complaints involved delays with respondents claiming that shipments to countries requiring inspection took three times as long as other shipments. An average inspection added 1.3 per cent to the cost of shipments, the ITC found.

Chemicals and pharmaceutical companies voiced the strongest objections

Decline in Swiss engineering exports

By John Wicks in Zurich

SWITZERLAND'S engineering industry is winning fewer export orders, according to the Swiss Association of Machinery Manufacturers.

Its 200 member companies secured 22 per cent fewer orders in the first half of this year compared with the same period last year and the second-quarter figure was the lowest since summer 1984.

The association yesterday blamed the slowdown on the falling value of the dollar and on uncertain economic prospects on foreign markets. Exchange rates, it said, remained very unstable and the recent slight strengthening of the dollar should not be expected to lead to a corresponding improvement in exports.

The decline in exports, accompanied with a first half growth of 2.5 per cent in domestic business, means that the export share of total order value has fallen to below the 60 per cent mark for the first time since 1983.

Government figures show that exports by the Swiss metals and machine-building industry were down by 2 per cent in the first half. In the case of the US market, deliveries fell by 12 per cent, after already having dropped 10 per cent in 1986.

Price levels are said to be virtually unchanged overall. Thus, the association claims, there are many cases in which Swiss companies are selling at a loss in the dollar area in order to hold on to hold on to the market.

Dr Martin Erb, the association's director, expressed concern at the probable indirect results of the currency situation. There is a loss of confidence in the future, he said, particularly since there were also no signs of a balancing of the US budget and "signals in the field of commercial policy were hardly encouraging."

However, there should be no major changes in EC countries, he added, and there were unlikely to be substantial losses of exports to these destinations. Almost 55 per cent of the industry's exports go to the EC.

Chris Lawson

Polo at Smith's Lawn, Windsor . . . a change of rules threatened the supply of sticks.

New Zealand polo player moves in on a royal sport

John Murray Brown reports on a new company which threatens to shake up the archaic polo stick industry

PLAYING A chukka this Saturday, even the professional probably knows little of the origins of his trusty polo stick. This was certainly true for Mr George Wood, a former player from New Zealand turned master mallet maker, who one day late last year found his traditional stick supply suddenly cut off.

A telephone call to cane brokers in Singapore confirmed the worst—Indonesia, the world's largest source of the rare manau cane as used in polo stick making had decided to ban all raw cane exports. From now on the raw material had to be processed in Indonesia. The move won full support from the World Bank, aimed as it was to boost employment, improve the level of local skills and increase the added value on the country's exports.

However, for the small group of manufacturers who feed this sport of kings, the ban appeared to herald the end of a 50-year-old stick trade, now worth as much as $1m a year.

Mr Wood was not to be put off. Taking the first flight to Indonesia he spent the next few weeks roaming the markets of Sumatra, searching out a cane merchant who could supply the now elusive manau.

A trip to the New Zealand Trade Commission elicited the name of one of Jakarta's best known specialist boat builders, said to be keen to come in on a joint venture. Barely six months later Mr Wood and his partner, P. T. Marspec, have *established a small workshop*, with little more than a metal lathe, and employed five men. They are capable of turning out over 20,000 sticks a year, all to the highest standard.

"If in a year's time we haven't got half the world market, then something must be very wrong," says Mr Wood. One of his main concerns is direct competition from Argentina, where polo is a national obsession

Argentina is the centre of the polo world. However, the US now has about 4,000 registered professionals, where the sport is catching on among Hollywood stars like Sylvester Stallone. The UK, where there are just 600 odd players, is the heart of the trade. Here the sticks, or mallets as they are sometimes called, have traditionally been made by small companies like Argosy at Windsor, or Salters and Son, close to the old cavalry headquarters at Aldershot.

Before the war, the stick was often made from split Malacca cane. Today the industry relies almost exclusively on manau canes from Indonesia and, to a lesser extent, Malaysia.

A trek into the forests of Sumatra was enough to give a measure of the task at hand. The manau, one of a family of more than 90 tropical vines, grows to an astonishing 150 yards, spiralling up from the forest floor.

The retail price of a polo stick varies enormously. In the US and UK a player can expect to pay as much as $65. In New Zealand, where the game is played largely by farmers, the retailer's mark-up is much less, with a price around $25 a stick.

"The point," Mr Wood is quick to emphasise, "is it costs just as much to make a bad stick as a good one." Although it is early days yet, the company seems poised to shake up this archaic cottage industry, putting the squeeze on the traditional Chinese cane suppliers in Singapore and pressure on the small family-run firms in the UK.

Today Mr Wood works together with concerns like Argosy, airfreighting small quantities at a $1 a stick, sometimes custom-made for the world's leading players. With production already up to 250 units a week, Marspec could easily swamp small producers, who turn out just 15 sticks over the same period.

When the export ban is extended in January 1989 to include semi-processed canes the company will have to produce the finished stick in Indonesia. Before long every polo stick in the world could bear the tag: "George Wood selected."

US puts curb on orders to Kongsberg and Toshiba

By Karen Fossli in Oslo

THE US Defence Department has sent a memo to American "defence institutions" telling them not to place further orders with Norway's Kongsberg Vaapenfabrikk or Japan's Toshiba or either of the companies' subsidiaries without specific approval of the US Defence Secretary.

The two companies broke restrictions on the export of high technology to the Soviet Union.

A memo by Mr William Taft, a Deputy Defence Secretary, says that in cases where Toshiba or Kongsberg are the low bidders, award of the contract should be delayed.

The Norwegian successor to Kongsberg Vaapenfabrikk, Norwegian Defence Technology, is continuing work on the Penguin missile, subcontracted by the Norwegian navy for a US project. The prototypes are to be delivered to the US for testing later this year.

In July the US Congress called for trade sanctions against the two companies on the grounds that the deal violated the rules of Cocom, the international committee which aims to prevent the transfer of technology to the *Communist* bloc.

Norwegian authorities will seek clarification of the memo from US authorities as to the implications it holds for the new Norwegian defence company and the Penguin missile contract until the draft law for trade sanctions is either passed or dismissed.

The draft law has a clause, however, which allows the US to trade with the company in order to meet military requirements.

If trade sanctions are imposed against the Norwegians, the new company stands to lose a contract for about 192 missiles, at a cost of NKr 3-4m each.

If trade sanctions are imposed against the new Norwegian company, it could serve to undermine its very existance, which was created from the defunct Kongsberg Vaapenfabrikk currently undergoing settlement proceedings.

The US Congress is scheduled to reconvene on September 7 when it is expected that the trade bill containing the proposed sanctions will be approved. President Reagan, however, may veto the legislation.

AMERICAN NEWS

Inflation rate in Brazil may show fresh rise

BY IVO DAWNAY IN RIO DE JANEIRO

FEARS ARE growing that Brazil's inflation rate is rising again while insufficient measures are being taken to reduce the public sector deficit to meet targets presented by the Government last month.

According to a senior Finance Ministry official, inflation this month may exceed 5 per cent, a full percentage point higher than was predicted by President Jose Sarney last week and sharply up on the 3.05 per cent achieved in July.

Businessmen are also expressing concern that too little is being done by the federal government to cut its expenditure—a key commitment in the country's presentation to creditors in the US last month, prior to talks on debt expected in September.

The new inflation forecast came from Mr Mailson Fereira da Nobrega, the Interim Finance Minister charged with overseeing the economy in the absence of Mr Luiz Carlos Bresser Pereira, who is engaged in talks in Mexico during the state visit there by President Sarney.

Mr Fereira said the government's main preoccupation was to cool demand as the process of lifting price freeze controls begins. This was the reason for the 15 percentage point rise last week in the so-called "compulsory loan" paid by banks on their deposits to the central bank.

The increase in the loan was intended to raise interest rates and cool demand, Mr Fereira said.

Some bankers are arguing, however, that the move was part of a series of measures aimed at camouflaging increased government spending. Finance Ministry officials are now privately admitting that insufficient steps have been taken to reduce the government's operating deficit to its target of 3.5 per cent of gross domestic product by the end of this year.

They also believe that the goal of a 2 per cent of GDP operating deficit programmed for 1988 under the so-called Macro-economic Control Plan is unobtainable.

US 'agrees human tests of AIDS vaccine'

A POTENTIAL vaccine against AIDS is to be tested on humans, the first time such tests have been permitted in the US, published reports say, AP reports from Washington.

The Food and Drug Administration has given approval to MicroGeneSys of West Haven, Connecticut, to do the limited tests, the Washington Drug Letter reported.

FDA spokesman Mr Bill Grigg said on Monday night that he could not confirm the reports because it was up to the company to make such announcements.

However, he said that if the reports were confirmed, the company would be the first to receive agency approval.

The drug newsletter, which monitors FDA actions, said the product was made from non-infective envelope proteins of the AIDS virus rather than the virus itself, meaning the vaccine could not accidentally transmit acquired immune deficiency syndrome.

The Washington Post reported yesterday that the first round of tests would be on uninfected volunteers to check for side effects and to see whether the vaccine could raise an immune response. That testing is expected to start by October.

The testing to see if the vaccine actually prevents AIDS would occur later, according to *researchers* quoted by the newspaper, and it would be at least five years before a vaccine could be approved for general use should the tests succeed.

Mexico urges caution on part of debtor countries

BY WILLIAM ORME IN MEXICO CITY

PRESIDENT Miguel de la Madrid of Mexico, welcoming Brazilian President Jose Sarney to a state visit this week, reiterated the demand for a political solution to the debt problem but said borrowers should avoid confrontation with creditors.

"We do not want to provoke an economic war in the world that would have grave consequences to the entire international community, including the debtors themselves," President de la Madrid said. Mexico and Brazil, the developing world's largest debtors, both borrowed "probably in excess" and shared responsibility for the problem, he said.

The discussions are expected to touch on issues ranging from coffee exporting and oil industry co-operation to the Central American peace initiative. President de la Madrid visited Brazil three years ago, but traditionally there has been limited diplomatic and economic contacts between the two countries.

President Sarney is also pushing for more Mexican imports from Brazil. Both nations have called for more inter-regional commerce but trade between Mexico and Brazil, Latin America's dominant economies, had fallen by last year to $307m from $1.5bn in 1981. Mexican oil sales account for the bulk of this trade.

The meeting is expected to pave the way for a Mexico City summit of eight Latin American heads of state, scheduled for the last weekend of November. The presidents of the Contadora group of countries — Mexico, Colombia, Panama and Venezuela — and the Contadora support group of Argentina, Brazil, Peru and Uruguay plan to attend.

US housing starts up 0.9% in July

US housing starts rose 0.9 per cent in July, confirming that the economy has begun the third quarter relatively strongly, Reuter reports from Washington.

The housing figure, released by the Commerce Department yesterday, followed four consecutive months of declines and exceeded economists' expectations. It comes on the heels of an unexpected rise in the US trade deficit to $15.71m in June, which challenged recent views that the economy was healthy.

Housing starts, which narrowly exceeded market expectations of between 1.56m and 1.6m, appeared to demonstrate strength in the face of higher mortgage rates, analysts said.

Alfonsin gives impetus to privatisation programme

BY TIM COONE IN BUENOS AIRES

PRIVATISATION plans in Argentina have received an impetus with an announcement that government shares in seven Argentine chemical companies are to be put up for sale over the next four months.

The companies include the four newest petrochemical plants in the country, inaugurated last December, which are the principal manufacturers of polyethylene, PVC and chlorine products in Argentina. Total government investment in the plants is thought to have been as high as $400m.

The other companies are important manufacturers of cyclic hydrocarbons, and downstream products such as agricultural chemicals, and plastic industry intermediates. A company manufacturing vehicle parts is also to be privatised.

The announcement was made last week through a decree issued by President Raul Alfonsin, putting an end to speculation over the scope of the next step in the government's privatisation plans.

State participation in the seven companies is around 38 per cent in each, and are primarily shares held either by the Ministry of Defence through its manufacturing conglomerate, Fabricaciones Militares, or the state oil company YPF.

Both companies have long been criticised for inefficiency and excessive state intervention in the manufacturing sector of the economy. The announcement is therefore the first clear sign that the Government's privatisation plans are finally gathering momentum, despite dogged resistance from political and economic groups (including the armed forces) that have vested interests in keeping the companies in the state sector.

The Government will continue, however, to be the principal shareholder in two other companies, Petroquimica Bahia Blanca, and Petroquimica General Mosconi, which manufacture the main petro-chemical feedstocks in Argentina.

A decision is expected later this month on the future owner of the Austral airline company, the state-owned domestic airline which put up for sale last year.

Tim Coone reports on the universal unpopularity of Alfonsin's economic policy

Frustration sets in as Argentine prices rise

"PRUDENCIO THE THINKER," a cartoon rabbit in an Argentinian daily paper, has always been ready to comment upon the daily life of his country and compatriots with wry and incisive wit.

But lately he has grown more cynical: "Everyone keeps talking about the German miracle, the Japanese miracle, or the Italian miracle," he said this week. "But they have also begun talking about us. They call it the Argentine magic . . . . nothing up this sleeve, nothing up that sleeve."

President Raul Alfonsin's economic team might disagree with Prudencio's sceptical verdict, but frustration is clearly setting in: Inflation is rising, private sector investment has not *taken off* and pressure is mounting from trade union and industral leaders for a major shift in economic policy.

New economic measures announced last month, coinciding with an agreement with the International Monetary Fund on economic policy guidelines, had the dubious distinction of being unpopular with practically everyone except the foreign banks.

Structural adjustments in public sector administration and finance, which form the core of the new measures, are sorely needed. There is little disagreement that the public sector deficit is one of the causes of the underlying inflation rate which has undermined the Austral plan. But no-one except the Government seems prepared to pay the political cost that such reforms require — and even the Government has used promises of public spending to assure itself of the necessary alliances in Congress to push its legislation through.

However, in an attempt to cut spending, government investment budgets have been slashed. The nuclear energy programme is paralysed and petroleum production from the state-owned company, YPF, has fallen alarmingly due to the lack of funds to maintain the exploration and extraction effort.

The Government plans to privatise the provision of a number of state services. Gas distribution in the cities, public telephones and certain railway branch lines are the immediate changes under consideration. YPF is also being forced, against stubborn political resistance, to hand over some of its oilfields to private local and foreign oil companies for exploitation where it is unable to do so itself.

But the problems do not stop there. Strikes in the hospitals, schools, universities and other state sectors are now becoming a monthly phenomenon. As inflation rises, the unions struggle to maintain the living standards of their members. Many university lecturers presently earn as little as $100 per month.

Sooner or later, the Government will have to concede wage increases which will necessitate renewed juggling acts with the government budget figures and further increases in government spending.

To counteract the inflationary effects of this, the central bank has issued new bonds to absorb the increased liquidity in the local financial market and is maintaining high real interest rates. These presently stand at around 30-40 per cent per annum. This, industrial leaders say, is the principal obstacle to new investment by the private sector, especially the small and medium industries which do not have the institutional connections to the banking system or recourse to subsidised loans from the state-run banks.

Alfonsin (left) and Caputo: considering further foreign financing.

The cost of absorbing this money falls to the central bank. The immobilisation of funds through high levels of compulsory reserves and bond purchases averages around 70-80 per cent of deposits in the banking system. Interest has to be paid on these reserves. Recycling them at subsidised interest rates to finance provincial governments, loss-making state-run companies and banks and industrial and export promotion schemes, is the main source of the so-called quasi-fiscal deficit. It is also a further cause of the underlying inflationary pressure.

The resignation last month of Mr Roberto Lavagna, the Trade and Industry Minister, one of the designers of the Austral plan and the architect of the export promotion schemes launched over the past year, reflects the crumbling cohesion of the economic team. Mr Lavagna sharply criticised the monetarist emphasis that has come to dominate the Government's economic policy and insisted that industrial export promotion, and the need to gear economic policy to that end, was the principal way out of Argentina's stagnation.

According to Mr Eduardo Curia, an economic adviser to the trade union Group of 15, the economic team no longer has a strategy and is responding to events rather than guiding them. The Group of 15 controls the Labour Ministry within the Government. Mr Curia said their aim is to put an end to government decreed wage controls and to return to free collective bargaining.

This has been promised by President Alfonsin himself, although contradictory statements on its timing are emitted almost daily from the economy and labour ministries. The former attempts to maintain a semblance of price and wage control (fearing a price and wage explosion), while the latter is determined to end it.

The alternative proposed by the unions and a growing number of business leaders is to stimulate growth through higher real incomes and reflation of the economy. Internal prices would be controlled by a gradual opening up of trade policy, although these proposals are still nebulous. The departure of Mr Lavagna, who favoured a policy of export-led growth rather than internal reflation, suggests a *gradual tilt* in favour of the unions' proposal.

Members of the economic team have said on various occasions in recent months that there is no room for further readjustments within the economy. Foreign financing is considered by the present economic team to be the only possible major source of funds to enable Argentina to overcome its structural bottlenecks, whether in investment, trade or reform of the state sector.

Mr Dante Caputo, the Foreign Minister, was recently in Tokyo negotiating a recycling of part of Japan's trade surpluses through investment in Argentina. President Alfonsin said last week that negotiations under way with Italy are aimed at promoting investment in Patagonia, the location of the proposed new capital.

Prudencio, the sceptic, is not convinced by all this activity. He knows a white rabbit has to be pulled out from somewhere if anything is to change.

Lower trend in PSBR fails to satisfy City

BY JANET BUSH

THE GOVERNMENT repaid borrowings in July for the third month in succession, largely because it received nearly £600m from the privatisation of the British Airports Authority but also because of the buoyancy of tax revenues.

Treasury figures released yesterday showed that the Government made a net repayment of £365m last month, giving a cumulative Public Sector Borrowing Requirement (PSBR) for the first four months of the current fiscal year of only £700m compared with £1.9bn at the same stage last year.

The repayment in July was smaller than many City of London economists had expected. Coupled with quite substantial revisions to borrowing figures in April, May and June, adding more than £400m to the cumulative PSBR this year so far, last month's figure disappointed financial markets. UK government bond prices closed ⅜ point lower yesterday.

Until yesterday's figures, City economists had been pleasantly surprised about the low level of borrowing and had started to predict a substantial undershoot of the Government's £4bn target. These forecasts have now become more cautious.

Treasury officials remain confident that the £4bn target will be hit quite easily. Income tax revenues are expected, if anything, to be more buoyant than forecast in the budget as the pace of economic growth could outstrip the 3 per cent official prediction.

The pace of consumer spending has also been a touch higher than expected and Customs and Excise receipts have so far grown faster than expected at budget-time. Consumer spending is expected to remain buoyant for the rest of this year.

Yesterday's figures show Inland Revenue receipts in the first four months of the current fiscal year were 3½ per cent higher than a year earlier and Customs and Excise receipts 9 per cent higher.

In addition, the oil price has been firmer for some months than the Treasury's $15 per barrel assumption, suggesting that petroleum tax receipts bunched in September and March will be higher than expected.

Spending so far this year has been slightly higher than envisaged in the budget. Consolidated fund expenditure was £9.9bn in July and 2 per cent higher in the first four months compared with a year earlier.

Although the cumulative PSBR this year is smaller than in 1986–87, the two years are difficult to compare as the pattern of privatisation proceeds, which are accounted for by the Treasury as negative expenditure, is substantially different.

So far this year, the Treasury has received £2.9bn in privatisation proceeds compared with £1.1bn at the same stage last year when receipts were concentrated in the second half. This year, proceeds are weighted towards the first half of the year.

Stripping out privatisation receipts, the cumulative PSBR in the first four months of this year is provisionally estimated at £3.7bn, somewhat ahead of last year's £3.0bn.

Disclosure of bank credit data should be compulsory, OFT says

BY HUGO DIXON

BANKS SHOULD be forced to divulge confidential information about their personal customers to credit-reference agencies, provided their customers agree, the Office of Fair Trading (OFT) proposed yesterday.

Credit-reference agencies benefit both consumers and banks, by helping to prevent people from becoming over-indebted, the OFT said. However, such agencies could not be comprehensive as long as banks and building societies refused to provide information about their customers to them.

OFT's proposal was set out in a wide-ranging submission to the Banking Services Law Review, established last year by the Government to investigate whether the law relating to the provision of banking services needs to be changed.

The main thrust of OFT's submission is that the responsibility of banks to their personal customers should be set out in a model contract and backed up by a statutory code of practice. It adds weight to a similar submission published last week by the National Consumers Council, the consumers watchdog.

OFT said the relationship between banks and their customers was not spelt out, but implied. This created confusion and, on occasions where terms and conditions were spelt out, they tended to be weighted in favour of banks.

The Committee of London and Scottish Bankers (CLSB), however, said the OFT was trying "to throw legislation at a non-issue. At present, the banker-customer relationship is one of common sense, based on common law."

OFT suggests that the code of practice is drawn up by the Secretary of State for Trade and Industry after consultation with the Director-General of Fair Trading and other interested parties. Contracts between banks and their customers should incorporate relevant terms from the code.

A central provision of the code should be that banks must only disclose confidential information and give references if they have the express permission of their customers. This should apply whether they are disclosing information to other companies within their group or more widely.

However, within this constraint of getting customers to give their consent, the OFT is keen that information is passed to credit-reference agencies. It is worried at the rapid growth in consumer debt in recent years.

Telecom foresees increased pressure

By David Thomas

BRITISH TELECOM believes it could face greater competition and increased pressure on its prices by the end of the decade, Sir George Jefferson, its chairman, said yesterday.

Sir George also described how BT had responded to the recent upsurge of criticism of its service quality by trying to identify improvements which could be made immediately.

The Government and the Office of Telecommunications, the industry's regulatory body, have begun to consider decisions about the framework governing British telecommunications which have to be made by the end of the decade.

One of the first, due to be made in 1989, is whether to allow companies to lease circuits from BT and then re-sell them for simple voice traffic.

Sir George said that BT's main concern was that many of its private circuits were still not economically priced, so that re-sellers could get an unfair advantage.

However, he added that he expected economic pricing of private circuits to be considerably closer by 1989.

Another decision due in 1989 is on the future of the formula governing price changes for its main inland services, which at present keeps them below inflation.

Sir George emphasized that BT had not reached a view on the new formula, but said that BT would not be surprised if a tougher pricing regime emerged.

Sir George said it was too early to judge whether the duopoly of BT and Mercury Communications should be ended in 1990 when the decision was due.

Sir George has appointed senior managers to concentrate on possible improvements in areas such as call boxes and leased lines in the City of London.

The centre strikes back, Page 15.

Union's cleaning deal reflects acceptance of privatisation policy

BY DAVID BRINDLE, LABOUR CORRESPONDEN

ONE OF Britain's leading trade unions has joined forces with a newly-formed company in what is thought to be an unprecedented bid by a union to supply privatised local authority services.

The GMB general union, Britain's third largest trade union, has entered an agreement with Municipal Cleansing Services with the aim, initially, of winning the refuse collection and street cleaning contract for Milton Keynes, north of London.

The move reflects the way unions are slowly coming to terms with privatisation. The union says it decided to throw its lot in with the company because there was no realistic prospect of the contract being returned to direct council-employed labour.

Refuse collection and street cleaning in Milton Keynes is at present carried out by Exclusive, part of Brengreen Holdings, which was taken over last year by BET, the industrial services group.

The local authority says Exclusive has performed its five-year contract with a 98.8 per cent satisfaction rate. But Labour and SDP-Liberal Alliance councillors have barred the company from tendering again this autumn because of BET's links with South Africa.

Tenders have instead been invited from seven other companies, including MCS, and from the council's own direct labour organisation.

MCS was set up by Mr Errol Ray, the council's former chief executive. He has struck a single-union recognition agreement with the GMB, approved at the union's highest level, though his further offer of a seat on the board was declined.

Mr Tom Ross, the union's Milton Keynes district official, said yesterday he was negotiating pay and conditions and a profit-sharing deal in anticipation of the company winning the contract and employing up to 150 workers.

"This is something we would only do where services are already contracted out and where political factors would keep direct labour out," Mr Ross said. "Where that's the case, it is best that the contract goes to a company with a decent recognition agreement."

The barring of Exclusive for South African links would be unlawful under the contract compliance provisions of the Local Government Bill, expected to take effect next year.

British Coal in clash over discipline code

BY CHARLES LEADBEATER, LABOUR STAFF

BRITISH COAL and the National Union of Mineworkers clashed yesterday over disciplinary procedures in the industry after the union claimed that the corporation's revised disciplinary code had been used to dismiss a miner who had committed a 'motoring offence' outside work.

However, British Coal disclosed that the miner, employed at Vane Tempest colliery, at Seaham, in the northeast of England, had been sentenced to six months' imprisonment for stealing a taxi and making off with the driver's takings.

But the corporation said he was dismissed because of the length of his sentence rather than the nature of his offence. The code says any sentence of six months or more should count as extended absence from work, which makes a miner unavailable for work. It says that the miner's contract of employment should be automatically terminated in such cases.

British Coal said the miner was re-employed on Monday after he had been released from gaol after serving half his sentence under the Government's early release scheme.

The corporation said the decision, which was taken after the miner, accompanied by a union representative, was interviewed by the colliery manager, reflected the manager's judgment that the offence did not affect his suitability for work.

Railways start new management pay regime

By Our Labour Correspondent

BRITISH RAIL has told union leaders it proposes to end pay bargaining for 800 senior managers and offer individual contracts which better suit the industry's business needs.

The move is in line with a growing trend to end collective bargaining or de-recognise unions at senior staff levels in the private sector. But it is one of the first examples of such action in the public sector.

BR has negotiated pay and conditions for its senior managers since only 1981, when a 17-tier grading structure was established, and the system has co-existed with a separate performance-related pay scheme.

The two unions recognised for bargaining purposes, the Transport Salaried Staffs' Association (TSSA) and the British Transport Officers' Guild, were told of the decision to end across-the-board negotiations when they met BR to discuss this year's claim.

BR said yesterday that it planned to invite the 800 managers involved to move to new "executive grades" with revised employment terms. Those who opted not to would remain in their present grades and would still be covered by collective bargaining.

The move was in no sense an attempt to discourage the managers from belonging to a union, BR said, but was necessary to foster working relationships more likely to encourage achievement of business objectives and of change.

The TSSA has suffered in a number of recent similar cases in the private sector: last month, it was disclosed that British Road Services had ended bargaining with the union for management grades; at the end of last year, Pickford Travel did the same for all white-collar staff.

Mr Bert Lyons, TSSA general secretary, said yesterday that there was little prospect of BR's senior managers opting out of the new system. "The choice is more apparent than real. I have reason to believe the terms on offer will be made quite attractive, at least initially."

Second quarter economic growth ahead by 4%

BY RALPH ATKINS

BRITAIN'S ECONOMY grew strongly in the second quarter of 1987 after an acceleration in pace in the first three months of the year.

The Central Statistical Office said its provisional estimate of the seasonally adjusted output based measure of gross domestic product grew ¾ per cent between the first and second quarters of this year. Compared with the second quarter of 1986 it was 4 per cent higher.

The figures have increased expectations that growth this year will exceed the 3 per cent official Treasury forecast announced in the Budget adding to fears that therate of growth might be accompanied by higher inflation.

In the first quarter of this year economic output was about 1 per cent higher than the previous quarter and 4.2 per cent higher than the same period in 1986.

Most City economists, however, do not expect the same pace of growth to be maintained in the last six months of the year. Weak demand abroad for British exports and a slowdown in the rate of growth of domestic demand—tempered by the recent 1 per cent rise in base interest rates—are expected to lead to an annual growth rate of about 3.5 per cent by the end of the year.

Mr Bill Martin, chief UK economist at stockbrokers Phillips & Drew, said: "I see growth rates coming down to more sustainable rates which will not bear on inflation. Although it is a slowing of growth rates, it is not doom and gloom."

Yesterday's figure was based on GDP as measured by output. That is generally regarded as the most reliable indicator of economic growth in the short term, but there is often a significant divergence with growth measured using expenditure and income figures.

The Organisation for Economic Co-operation and Development, in its latest review of the British economy, forecast an annual growth rate of about 3½ per cent this year based on an average of the three measures of GDP.

Yesterday's figures show strong growth in manufacturing and service industries, but a depressed performance in the energy sector, with production affected by a more than usually heavy maintenance programme in the North Sea.

If oil production is excluded the output in the second quarter of 1987 was about 1 per cent higher than the previous three months and 4.25 per cent higher than the second quarter of 1986.

Shipyard challenged to cut bid for order

By James Buxton Scottish Correspondent

SCOTT LITHGOW, the Trafalgar House shipbuilding subsidiary, was told yesterday by Mr George Younger, Defence Secretary, to "get its act together" and submit a competitive bid for a contract to build three small ships for the Royal Navy.

On Monday the Ministry of Defence rejected a Scott Lithgow bid of about £12.5m and decided to put the contract out to competitive tender. Scott Lithgow had been allowed to bid for the contract without competition after failing in 1986 to win a naval submarines order.

News that the ministry had rejected Scott Lithgow's bid—already lowered several times from an initial quote of about £20m—is seen by shop stewards and some local politicians as condemning the yard to closure. It is due to run out of work by the end of this year.

Scott Lithgow, on the lower Clyde, badly wanted the ministry contract to tide it over until it won another big order. It had been hoped that the contract would occupy 300 to 400 workers at the yard for a year.

At present the company directly employes about 1200 people. Between 600 and 700 subcontractors are building a drilling rig for Britoil and lengthening the Cunard container ship Atlantic Conveyor.

Mr Younger denied that the ministry had reneged on promises it made when it offered the contract to Scott Lithgow. He said the company had been given "every opportunity, time and time again, to get the price down to somewhere reasonably near" the £10m allocated for the ships.

If Scott Lithgow's final bid had been only slightly out, he said, he would have "stretched every point for them."

Scott Lithgow confirbmed yesterday that it would compete with other British yards now being asked to tender for the ships.

Warning on Scottish assembly

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

A SCOTTISH Labour politician urged his party yesterday to reconsider the thrust of its campaign for a Scottish assembly or risk the Government's legislating for an assembly on conditions that would penalise Labour.

Mr Ken Fagan, president of the Labour-dominated Convention of Scottish Local Authorities, voiced fear among some Scottish Labour politicians that the Government might grant an assembly on terms favourable to the Conservative Party.

The Government has so far said it is against a Scottish assembly. Labour, however, plans to introduce a bill setting up an assembly with tax-raising powers when Parliament resumes in the autumn. It is backing a campaign supported by other pro-assembly groups which is holding a festival for Scottish Democracy in Glasgow next month.

Last week Mr Struan Stevenson, a Conservative Party devolutionist and an unsuccessful parliamentary candidate in the General Election, proposed that the Government should grant Scotland an assembly with power over economic issues, education, health and other areas but without tax-raising powers.

As a condition of its being set up, the number of Scottish MPs at Westminster would be cut by up to 25 from the present 72. Local government in Scotland would be reformed to abolish the upper-tier regional councils and the assembly would be elected by proportional representation.

Those terms would damage Labour, which won 50 seats in the General Election, while the Conservatives lost 11 and held only 10. The reduction in the number of Scottish MPs would threaten the party's chances of winning a General Election. The main regional councils in Scotland are run by Labour.

Proportional representation in Scotland would penalise Labour, which took 42.2 per cent of the Scottish vote in June compared with the Conservative Party's 24 per cent.

Mr Fagan, a member of Dundee District Council, said the Labour Party had to "give far more thought to the general thrust of our campaigning for the type of assembly." An assembly on Tory Party terms would not be worth having if it meant the loss of regional councils.

Nick Garnett on the implications of Asea Brown Boveri's merger

Electrical engineering feels current

THE ELECTRICAL engineering industry has had a week to digest the implications of the planned merger of Brown Boveri of Switzerland and Asea of Sweden. The announcement of this first significant ownership-restructuring for decades did not surprise UK companies even though they had no idea that formation of Asea Brown Boveri was likely.

For everyone expected something to happen in this highly competitive industry, dominated by overcapacity, low margins and many companies too big to drop out. However, what are the implications for UK companies in the business?

The question centres on whether the merger will encourage further rationalisation in the UK, particularly in power generation, and spur more realignment in Europe.

Another question is whether the merger will hurt the long-term position of British competitors, mainly General Electric Company and Northern Engineering Industries, in power generation, distribution and transmission. Hawker Siddeley also competes, in locomotive power units and switchgear.

In recent months there has been but one significant area of rationalisation on the agenda for UK generation-equipment makers, and that has not been in electrical engineering: Lord Weinstock, head of GEC, has been keen to buy Babcock Power, adding Babcock's boiler-making business to GEC's expertise in turbine generators.

Talks aimed at doing so have rumbled on. They involved Lord Weinstock and Lord King, his opposite number at Babcock, Mr Mike Hoffmann, Babcock chief executive, and Mr Bob Davidson, managing director of GEC Turbine Generators and a GEC main board member.

The talks foundered on price: GEC refused to pay what Babcock viewed as the future earnings potential of the boiler-making site at Renfrew, Scotland. The industry believes Babcock sought £90m with GEC prepared to pay £50m.

Since then Babcock has announced plans to merge with FKI Electricals, the engineering company based at Sowerby Bridge, West Yorkshire. That has injected further uncertainty. Mr Terry Harrison, NEI chief executive, is thought to have expressed interest in buying Babcock Power, in talks with Lord King in the past three weeks.

However, it seems unlikely that NEI, a boiler-maker in its own right, would offer what Babcock wanted. Further, the views on power generation held by Mr Tony Garton, head of FKI and future chief executive of the merged Babcock-KFI business if the deal comes off, are not yet known.

He has left the impression with some Babcock executives that he would not be keen to sell Babcock Power now that it will start earning money along with the rest of the UK generation-equipment industry as new power-station orders come through.

The interest GEC has shown in buying Babcock Power surprised some observers. Many in the industry have felt the most fruitful line of rationalisation would be turbines. This goes back to some Think Tank and independent university reports of the 1970s.

The rationale behind GEC's interest is that because most of Babcock Power's boiler exports over the past 10 years or so have come on the back of contracts in which GEC has been the, or a, main participant, it would make sense to offer customers more of a total power-station building capability.

It has been suggested that not all GEC senior managers like that line. Some analysts cannot understand why cash-rich GEC will not pay, if it really wants the boiler business. "They either want it and need it for strategic reasons, or they do not," says one.

Another factor is that the chances of rationalisation in big turbines seems to be about nil. First, NEI and GEC, the only two makers of large turbine generators, have a tetchy, some might say fraught, relationship. There is hostility between them that simmers just below the surface.

Secondly, NEI, which has a stronger-than-usual ethic of independence, rooted in its north-eastern base, has no intention to surrender its turbine business. GEC would like to merge, some might say take over, NEI's turbine-generator activities. However, one NEI manager said recently that that was simply taboo.

UK companies think there will be more restructuring, abroad, after the Asea-Brown Boveri deal. Mr Bob Davidson of GEC says: "I think we will see more of this in Europe and elsewhere. It was a sign of big companies prepared to make a change in their lifestyle but not go out of business."


Lord Weinstock (left) and Lord King: talks about Babcock Power.

Mr Terry Harrison, NEI chief executive, takes a more cautious but not dissimilar view: "There might well be a need to form longer-term associations, depending on how the market develops but, regardless of size, you have to be competitive." However, NEI appears to believe that, at least in the medium term, a relatively small producer in world terms like itself can live on its own.

GEC remains coy about whether it might be involved in any future restructuring. It continues to discuss, from time to time with other European electrical - engineering companies, collaboration on possible arrangements which would be broader and more specific than its co-operation, on Channel Tunnel locomotives, with Alsthom of France. It tried to take over AEG of West Germany in the early-1980s but was thwarted.

The NEI board is believed to be undecided whether NEI would be better off collaborating more closely with European or Japanese companies. It is thought to be in talks with two Japanese conglomerates. The big three Japanese companies in heavy electrical engineering are Hitachi, Mitsubishi and Toshiba.

In terms of future competition from Asea Brown Boveri, the protection of the internal EC power-generation markets means that, at least until the early-1990s — when the rule preventing European companies competing for power-station orders in member-states other than their own is scrapped—any further competitive pressures from the new grouping will be limited to non-EC markets.

Mr Douglas Gadd, head of GEC switchgear operations, sums up most of the opinions about the formation of Asea Brown Boveri: it presents the two participating companies with many potential benefits but a lot of problems including the need to rationalise.

Some UK companies could take advantage of those difficulties. However, they will need to keep their production and marketing strategies under review now that a new force in European electrical engineering is being formed.

Pensions publicity plan dropped

By Eric Short

PROPOSALS FOR a countrywide roadshow to publicise the pensions arrangements brought in by the 1986 Social Security Act and the 1987 Finance (No. 2) Act have been abandoned.

However, a promotional campaign is still planned before the provisions come into being next year.

The changes include the introduction of personal pensions, the reduction in benefits from the state earnings-related pension scheme, and the right of employees not to be required to join their employer's pension scheme.

Mr Norman Fowler, who as Social Services Secretary in the pre-election government was the architect of the new pensions system, was keen to give the widest publicity to the changes.

This year he presented plans for the Department of Health and Social Security to undertake a countrywide campaign in the autumn, holding seminars in main cities to explain the changes to the public and to intermediaries. That was to be followed by blanket advertising.

Since then, Mr John Moore has taken over as Social Services Secretary and the situation has changed.

The DHSS said that although the new minister was keen to ensure that the new pensions conditions were fully publicised, the election and holiday period had interfered with the plans.

It is almost certain that the public and intermediaries would be fully informed by their employers, the life companies and other pension providers. The Government intended to complement such measures

BAe joins land development

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

TRAFALGAR Brookmount and British Aerospace have pooled their land holdings at Brooklands, near Weybridge, Surrey, and set up a joint company to develop commercial and residenital property worth £250m on a 340-acre site.

Trafalgar Brookmount is a joint venture company in which Trafalgar House Developments, part of the shipping and property group, has 80 per cent and Brookmount, a developer, has 20 per cent.

BAe is paying Trafalgar Brookmount £30m as part of the deal. Trafalgar Brookmount is putting about 200 acres of undeveloped land into th joint company. BAe is contributing 90 acres.

The Brooklands business park is already being developed by Trafalgar Brookmount and that is to be extended. A public inquiry started in Weybridge last week to look at plans for shopping and office projects.

Part of the completed work has been sold to Scottish Amicable Mutual Assurance for £17m. The proposed developments include a 150,000 sq ft office block, which BAe will use, and the replacement of obsolete industrial units. Houses are likely to be built on part of the BAe land.

Life group in £116m project

BY OUR PROPERTY CORRESPONDENT

STANDARD LIFE Assurance will invest £116m on shopping and office developments in the south-west London suburb of Wimbledon.

This is the third in a series of large property investments Standard Life has made in London over the past four months. Last April it funded the £80m redevelopment of the Whiteleys department store in Bayswater and spent £25m on a City office building.

The Wimbledon agreement is with Speyhawk, the property development company, and covers two projects.

The first is the £36m Wimbledon Bridge development, which involves building 130,000 sq ft of offices over railway tracks and takes in adjoining retail and car parking facilities. Construction has started.

The second involves a 370,000 sq ft shopping scheme on two levels on the Wimbledon Town Hall site. That would cost Standard Life £80m, but the funding depends on Speyhawk's receiving planning permission.

The plan prompted a public inquiry and a decision on whether the project should go ahead is awaited from Mr Nicholas Ridley, the Environment Secretary.

Once completed and fully let, the two projects would pass from Speyhawk into Standard Life's ownership.

Appeal over green belt shops plan

By Our Property Correspondent

PRUDENTIAL ASSURANCE, the country's biggest institutional property owner, has appealed to Mr Nicholas Ridley, the Environment Secretary, for planning permission to build a 900,000 sq ft shopping centre in the Kent green belt.

Consent for the scheme at Hewitts Farm, close to the M25, was formally refused last March by Bromley borough. The council had been bitterly opposed from the outset to any development that might affect trade in its own shopping centre.

The appeal is likely to lead to a public inquiry, which might be held in conjunction with an inquiry into the Blue Circle - Shearwater Property plan for another large shopping centre at Dartford. That plan has the support of Dartford Council and Kent County Council.

It is accepted that only one of the plans is likely to go ahead. Mr Ridley's decisions on them might clarify government policy on the establishment of out-of-town shopping centres.

Planners in areas around London have been uncertain how to treat the applications that have multiplied for new shopping centres around the M25.

Government policy on out-of-town centres is equivocal, although it has been firm that they should not be situated in the green belt. The Prudential, however, argues that its plan would enhance the green belt and improve public access to it.

Lenders to raise mortgage rates

By Hugo Dixon

TWO MORE mortgage lenders are raising their rates, after the 1 percentage point base rates increase to 10 per cent two weeks ago.

Mortgage Corporation, the specialist mortgage lender, is increasing its rate from 10.1 per cent to 11.1 per cent. Clydesdale Bank's rate is increasing from 10.75 per cent to 11.25 per cent. The rates apply from September 1.

Shops plan for Swindon

BY OUR PROPERTY CORRESPONDENT

SWINDON, one of the expanding towns along the M4 corridor, seems set for a big increase in shopping facilities.

Norwich Union, the insurance group that has growing property interests, expects to sign a contract soon for the £75m development of a shopping centre. The group is acting in partnership with Thamesdown Council.

The town centre scheme involves the creation of 200,000 sq ft of space on two levels linked to the Brunel Centre, which is to be refurbished.

Another scheme involves NEC Properties, part of National Freight Corporation, and Britannia Group, which have lodged a planning application with the council to expand a retail warehouse centre that sells bulk goods such as garden equipment and carpets.

The out-of-town scheme would provide 340,000 sq ft of space in 20 units and would include 40,000 sq ft of small industrial properties.

Policy 'fundamental' to SDP in Alliance merger

BY OUR POLITICAL STAFF

MR ROBERT MACLENNAN and Mrs Shirley Williams, the two main supporters in the Social Democratic Party of the talks with the Liberals on a possible merger, sought yesterday to reassure opponents within the party that policy issues were fundamental in the negotiations.

In a joint statement made after they had met in Boston, Massachusetts, they emphasised that defence, the economy and the role of education in industry were central to their plans.

Meanwhile, leading members of the campaign to retain a separate SDP are planning a meeting later today to decide on a strategy and on whether to field a candidate to challenge Mr Maclennan for the party leadership.

The SDP suggested last night that neither Mr John Cartwright, MP for Woolwich, nor Mrs Rosie Barnes, MP for Greenwich, were likely to take up the challenge.

It was not clear whether former SDP leader Dr David Owen, who is determined to lead a campaign against merger, will attend today's meeting.

Mr Maclennan, 51, MP for Caithness and Sutherland, and Mrs Williams, the SDP president, are trying to bring two groups of party members closer together: the minority who voted in the recent ballot to seek closer links with the Liberals and the 57 per cent who backed full merger talks.

They emphasised yesterday that both views should have representatives on the negotiating committee, which will seek to establish merger proposals with the Liberals after the two parties' autumn conferences.

The emphasis on policy issues is likely to annoy those Liberals who believe that the merger should be based on constitutional priorities.

Docklands rail extension backed

BACKING FOR a proposal to extend the Docklands light railway south of the Thames has come in an independent report commissioned by Lewisham and Greenwick councils.

The two-mile extension would link the Isle of Dogs with Greenwich under the Thames and then folow the Deptford Creek and Ravensbourne River route to Lewisham.

Halcrow, Fow and Associates, the consultants, conclude that the Docklands light railways link to south-east London is very likely to be economically viable.

The cost of the line is estimated at between £32m and £50m. Surveys show that residents and workers in Docklands and more than 1m south-east London and Kent commuters will benefit from improved transport and access to Docklands and the City.

A growth in jobs and more business for Lewisham Shopping Centre — the largest in inner London — are also expected.

Watney to test market for Beamish stout in London

BY LISA WOOD

WATNEY MANN & TRUMAN, one of Britain's biggest brewers, yesterday announced it was to test the market for draught Beamish XXX stout, an Irish drink, in a number of London pubs.

The stout, brewed in Cork by Beamish & Crawford, part of Carling O'Keefe, the Canadian brewer owned by Elders IXL, is already sold in a few English pubs.

Guinness, the drinks group, dominates the UK stout market, accounting for about 94 per cent of the estimated £400m a year market, but the company yesterday rejected any suggestion that Beamish could erode its market.

Mr Peter Lipscomb, managing director of Guinness Brewing, said: "An increase in the distribution of Beamish, from its very small base, could help to enlarge further the black beer market in this country. That must be a good thing for Guinness."

The test marketing by Watney, part of the Grand Metropolitan group, follows the introduction of Beamish stout into pubs owned by Courage and the London-based Youngs. Courage, also owned by Elders IXL, has introduced the brand into 50 outlets, where it has increased stout sales by 31 per cent.

Beamish will be tested in 48 Watney outlets in London. In some, Guinness will be removed so a full assessment can be made.

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UK NEWS

Woolwich to set up estate agency network

BY HUGO DIXON

THE WOOLWICH Building Society, the fourth largest, yesterday announced plans to build up an estate agency network from scratch.

The approach contrasts with that of other leading societies which have been buying existing estate agencies. The Woolwich said large amounts of goodwill would have to be written off if it bought existing operations and such a move would be extravagant.

The Woolwich is taking advantage of last year's Building Societies Act, which allows societies to move into estate agency. Estate agents are the first point of call for would-be home buyers and are increasingly arranging mortgage business for their clients, so societies feel they need to secure the supply of business by establishing their own networks.

The Woolwich refused to give many details about how its network would be developed, saying the overall strategy had not been finalised. However, the final size of the network would be in double rather than treble figures and would be concentrated in the south-east, the society's traditional stronghold.

It will be built up mainly by converting branches that are felt to be under-used and by buying new premises. The society said it might also augment the network by buying existing estate agencies.

The network will be called Woolwich Property Services and will be headed by Mr Michael Stevens, a former partner in Dunphys, a west London estate agency.

Of the other societies, Nationwide, the third largest, has made the biggest push into estate agency. It has so far bought a network with 387 branches and says the number is still rising.

Halifax, the largest society, has bought a network of 225 branches and Leeds Permanent, the fifth largest, has 48. Abbey National, the second largest, has taken a similar line to Woolwich and has only 42 branches.

Tiphook to spend £48m on containers

By Kevin Brown, Transport Correspondent

TIPHOOK, the container, trailer and rail wagon leasing company, yesterday announced that it had placed its second order for new equipment in three weeks.

The order is for 50,500 containers from South Korea and Taiwan, costing £48m, for the group's Tiphook Container Rental subsidiary.

It will increase Tiphook's container fleet to about 123,000 TEU (20 ft equivalent units, the standard container size) by the end of the present financial year. That compares with about 22,000 when Tiphook was floated on the Stock Exchange in July 1985.

The announcement follows a £50m order for 3,000 trailers for Tiphook's Central Trailer Rental subsidiary, the second largest UK lessor.

Both orders have been partly financed through a £36m one-for-two rights issue, announced last month. Tiphook increased pre-tax profits by 63 per cent last year to £4.5m and is forecasting improvement in the current year.

Mr Robert Montague, chairman, said the latest order was an indication of the company's confidence in the growth of the container industry and its determination to take advantage of international markets.

David Lascelles views Quadrex group's purchase of M. W. Marshall

Another flurry in money brokers' world

THE LONDON-based money broking business, already one of the more turbulent sectors of the financial services industry, is undergoing another shake-up.

The dismemberment of Mercantile House before its acquisition by British and Commonwealth will result in the sale of its money broking arm, M. W. Marshall, to Mr Gary Klesch's Quadrex group for £280m.

Since Mr Klesch already owns a money broker, R. P. Martin, he will end up controlling one of the largest segments of the business, although he has decided to keep the two firms separate.

Money brokers perform a key role in the financial markets, mainly those where foreign exchange, deposits and swaps are traded. They act as intermediaries between banks, matching up buyers and sellers in a hectic world of constantly ringing phones, flashing lights and bawled commands.

With last year's Big Bang, many of them also became inter-dealer brokers in the gilts market, and because of their key market position, they come under the scrutiny of the Bank of England.

The virtue of brokers is that they provide a focus for sprawling, multi-billion-dollar markets and aid their liquidity, although banks sometimes resent having to pay them commissions to do deals they feel they could do themselves. In the US, brokers have had to enter into profit-sharing arrangements with their clients to retain their goodwill.

Virtually the only assets in the business are people; quick-witted, highly paid and ready to switch jobs at any chance for more money. One executive described them yesterday as "high-tech barrow boys."

Brokers thrive on market volatility because that generates the trading volumes from which they earn their fees. Because of the vast increase in market turnover in recent years, profits have grown enormously—compound growth of 15 per cent to 20 per cent is not unusual.

It is not an easy business to enter. Brokers depend heavily on the number of direct telephone lines they can install into banks' dealing-rooms and most banks are now so cluttered with lines that they cannot take any more. That is why the money broking business is confined to comparatively few firms — most of them British, as it happens — and why new entrants have to proceed by way of acquisition.

Three firms dominate: British & Commonwealth (Exco), MAI (Butlers, Garban), and Marshall, which is now changing hands. Between them they control about three quarters of the world's money-broking business, although market shares vary enormously depending on what currency or type of instrument is involved.

R. P. Martin, which is linked to Bierbaum, a leading West German broker, is reckoned to be the fourth largest. Other participants include London-based ICH and the Swiss firm, Tradition.

Gary Klesch: set to control large segment of business.

All those firms have a strong international flavour. UK-based firms dominate Wall Street's money and government securities markets, and increasingly have a presence in Tokyo and other Far Eastern centres. The Marshall deal includes William Street Brokers, the firm's US arm.

In this fast-moving business, where flexibility is the key to successful strategy, firms frequently change hands. Three years ago, Marshall sold off Charles Fulton to its management, which later reconstituted it as ICH. MAI also sold off part of its Eurodollar broking business last year but at the same time Exco bought a government bond broker on Wall Street, matching Marshall's presence there.

The broad trend, however, has been towards consolidation around large international companies to achieve economies of scale. Even though Marshall and Martin are not to be merged, this week's deal advances that trend—and also marks a consolidation of the business into non-UK hands—Mr Klesch is American.

Mr Klesch's decision to keep the firms separate may have been taken partly to allay the Office of Fair Trading's concerns about competition growth, but other executives in the business believe it was a sensible move given that Marshall and Martin have heavily overlapping businesses and a merger would have meant sacrificing a large slice of market share and losing a lot of people.

The separation was also intended to appease Marshall's management, who were not overjoyed at being bought by Quadrex, having observed Martin's only modest performance under Mr Klesch's control. There is still a chance that the deal will not succeed because of their opposition.

Whether Mr Klesch keeps them separate, time will tell, and probably quite soon, because nothing stays the same for long in money broking.

July marks busiest month for air traffic

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIR TRAVEL is soaring to record levels in Britain this summer. During July, the seven airports owned by BAA (formerly the British Airports Authority, privatised this summer), had their busiest month ever, collectively handling 6.8m passengers, a rise of 17.4 per cent over July 1986.

That result shows that overall tourist traffic has more than recovered from last summer's setback, when US travel to Europe was severely reduced after the Chernobyl reactor incident in the Soviet Union and fears of terrorism after the US bombing of Libya.

Allowing for last summer's unusual factors, the growth rate this July over the same month in 1985 was 8.8 per cent.

BAA says that, during July, Heathrow, Gatwick, Stansted, Glasgow and Edinburgh airports all recorded their busiest month ever.

At Heathrow, the number of passengers handled exceeded 100,000 on each day of the month, reaching an all-time daily record of 129,000 on July 31 and bringing total passengers for the month to more than 3.51m, a rise of 15.8 per cent over July, 1986.

Gatwick handled nearly 2.36m passengers, a rise of 21.4 per cent, while Stansted handled 90,000, a rise of 31.8 per cent.

In the 12 months to the end of July, Heathrow handled 33.48m passengers, a rise of 8.9 per cent over the previous 12 months, while Gatwick handled more than 18m, a rise of 15.2 per cent, consolidating its position as the second busiest international airport in the world after Heathrow.

● Air travel between the UK and Amsterdam during the first half of this year rose by just over 10 per cent as a result of the agreement liberalising air transport between the UK and the Netherlands.

Figures issued by the Schiphol (Amsterdam) airport authority showed that in the first six months, the number of pasengers flying between Schiphol and the 22 UK airpots it serves amounted to 1,097,306, or just over 109,700 more than in the comparable period of last year.

Mail order companies face struggle for market share

BY LISA WOOD

MAIL ORDER companies will barely maintain their share of retail sales over the next five years, according to a report by Verdict, the market research organisation.

The recession hit catalogue companies badly, the report says. Their share of the total retail turnover has fallen during the 1980s. It fell from about 4 per cent of the total in 1980 to about 3.4 per cent in 1986, representing an estimated £3.3bn.

Verdict says that the strong profits growth shown by the sector's leading companies, caused by extensive reorganisation within the industry, will now be much harder to maintain. The market is becoming much more competitive, with "too many catalogues chasing too few sales."

Verdict estimates that Great Universal Stores, one of the largest retailers, makes about 42 per cent of the market's total sales. It reports that, while the company's market share had been strengthening for some time, it was coming under unprecedented competitive pressure. Much of the pressure was from a revitalised Littlewoods, which takes about 23.8 per cent of total sales.

Littlewoods has until recently been the weakest performer in the sector, the report says, losing market share steadily for some time. It forecasts that recent moves, including links with a designer, will reverse the situation this year. "Links with a Hollywood designer, and a cleaner and more stylish presentation of its fashions, are helping Littlewoods to outperform the sector and the first market share gain for some years will be achieved," Verdict says.

The report shows that the other strong players in the market are Freemans, which has 14 per cent of the mail order business, and Grattan, which takes about 10.9 per cent of sales.

Verdict on Mail Order. Verdict Research, 112 High Holborn, London WC1V 6JS. £450.

Howard League urges fewer imprisonments

By Alan Pike, Social Affairs Correspondent

THE CRIMINAL justice system approaches the next century in much worse shape than in 1900, the Howard League for Penal Reform says in a report.

In the report, which examines the system of justice Britain will have in the next century if present policies continue, the league calls for:

● A reduction in the proportion of people sent to prison, which is higher in Britain than in most of its European neighbours.

● The development of police cautioning schemes and other more informal methods of dealing with crime.

● Allocation of more resources to crime prevention and the needs of victims.

● The establishment of a more open and accountable system of justice.

Justice 2000—Criminal Justice for a new Century. Howard League, 322 Kennington Park Road, London SE11 4PP. £2.

Skill shortages grow in fibres industry

By Charles Leadbeater

THE ARTIFICIAL fibres industry is suffering from worsening skill shortages, with more than half its manufacturing sites lacking skilled workers, according to a report published this week.

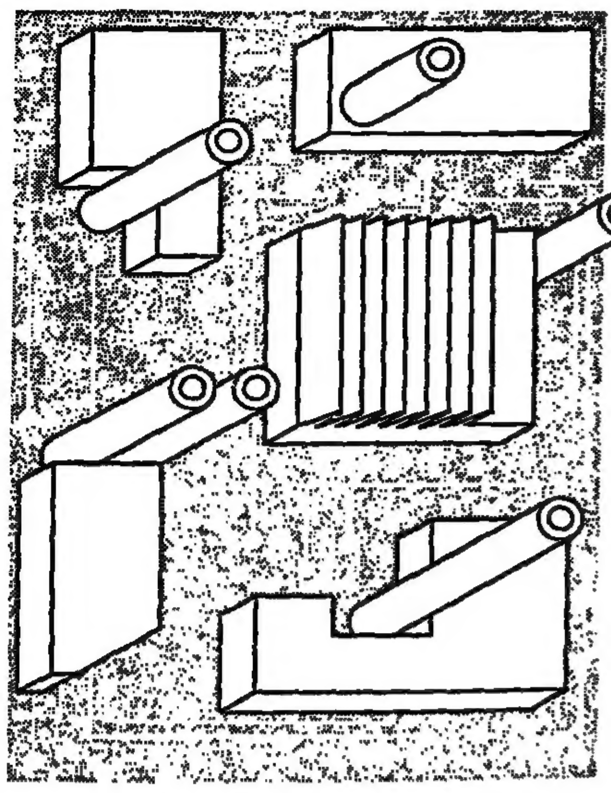
The annual report of the Man-Made Fibres Industry Training Advisory Board for 1986-87, says electronic and instrument skills are in shortest supply, but other craft skills—notably welders and maintenance fitters—have become scarce over the last year. There was a sharp rise in recruitment of scientific and technical staff.

The report shows the number of apprentices undergoing training has fallen from 394 in 1981-82 to 160 last year. The ratio of apprentices to craftsmen has risen from one apprentice to six craftsmen, in 1981-82, to one trainee to 11.8 craftsmen, last year. Employment in the industry fell over the period by 5,300 from almost 20,000.

TECHNOLOGY

When the parts add up to less than the whole

The problem of getting computers to 'talk' to one another remains a barrier to full factory automation. **Terry Dodsworth** reports on efforts to improve integration



Basic rules are needed for the design of computer systems so that they can communicate with each other.

THE COMPLETELY automated factory, using computer-integrated manufacturing (CIM), may still be a pipe-dream despite years of proselytising. Nevertheless, a great deal of highly sophisticated plant exists in many British factories and more is being added all the time. But the extent and pace of the changes is beginning to worry experts, who are questioning the durability of the investments.

The problem, they say, is that too much of this equipment is being put in *ad hoc* to satisfy particular needs. While the investment may be more than adequate to meet these short-term goals, it may be entirely inappropriate for longer-term applications in a plant where the product line will be changing and new manufacturing lines installed.

In particular, the computerised intelligence at the centre of any individual process may not be able to "talk" to other computers in the plant. It will thus become an island of automation, effective as far as it goes, but not properly integrated into the computerised system for running the whole factory.

Two issues lie at the heart of the dilemma over the future of CIM.

The first is the type of computerised system being sold to manufacturing industry. As in any fast-developing market, there is a variety of vendors competing for business, all with their own special approach and many with their own computer designs. Because neither the products nor the computers around which they are built are standardised, it is often difficult to link different parts of the production process in a common, automated structure.

The setting of standards is a long and painful business

Comparison with the telephone system underscores the scale of the challenge. To add another department into the telephone communications network requires nothing more than a wire, a plug and a handset. Computerised systems are clearly more complex, but the same principles of easy communications could apply. What is required to make it possible is a set of agreed standards, as in the telephone industry, so that one system can communicate with another with a minimum of fuss.

This ability to communicate across a range of computers, all operating substantially the same software and all receiving and sending messages under a similar protocol, is perfectly feasible. Some computer manufacturers have demonstrated within their own product ranges how it can be achieved. But the problem is complicated by the fact that within a manufacturing system there are such a large number of different functions — design, inventory control, billing, ordering, machine operating and so on. Each of these areas has tended to spawn specialist producers whose machines are frequently incompatible with those in the rest of the plant.

One solution to this Tower of Babel would be *de facto* standards established by a dominant manufacturer. But the approach that is favoured by managers at the receiving end, and which is now being supported by the Department of Trade and Industry, is the adoption of some basic rules for designing computer systems so that they can easily communicate with any others.

Called open system interconnection (OSI), this concept is beginning to attract increasing support in the data processing industry, where several computer manufacturers have committed themselves to OSI standards. Ideally, it would lead to a situation in which use of one type of computer in one part of a manufacturing company would not narrow the options on what sort of computer could be acquired for another part of the building.

Managers must tighten their strategic grip on manufacturing

This is where the second issue — the question of management planning and control — comes in. In order to develop integrated systems that will yield a big advance in productivity and flexibility, senior managers will have to establish a much tighter strategic grip on the manufacturing process. They need to plan ahead to avoid a Balkanised manufacturing organisation, in which automated machinery is installed in one part of the plant without reference to the methods used elsewhere.

This challenge to management led to the establishment a few years ago of a communications standards centre at PERA, the industry-funded management training centre at Melton Mowbray in Leicestershire. With the help of a grant from the DTI, ComCentre, as it is called, is trying to show—through seminars and other information services—how open systems can play an important role in the development of integrated manufacturing.

In particular, ComCentre is aiming to capture the attention of senior executives. CIM, says PERA, has become a strategic issue, both because it will be one of the keys to future competitiveness, and because decisions about computerised machinery can no longer be made sensibly without reference to the rest of the organisation.

"What is needed is a much enhanced awareness at board level of the competitive advantages if new technology is used correctly," says Mr Ronald Armstrong, director general of PERA.

Industry is, of course, a long way from this ideal world. Apart from anything else, OSI is by no means fully established—the setting of standards is a long and painful business. But computer integrated manufacturing is now well enough developed for the importance of systems that will allow easy communication between different departments to be widely recognised.

As Mr Armstrong puts it: "Managers faced with increasing customer pressure on product quality and delivery, international competition and ever shortening product life cycles, instinctively recognise that a manufacturing process which offers complete flexibility must be a good thing."

WORTH WATCHING

Edited by Geoffrey Charlish

Computing in tongues

ALCATEL-ESC, formerly the ITT Engineering Support Centre, at Harlow in the UK, is offering a computer-assisted translation system based on the software written by Worldwide Communications Corporation (WCC) of Illinois in the US.

The Harlow team pioneered this software within ITT to tackle the language problems encountered in producing literature in the multinational company. It is now offering the system for use on the IBM personal computer or the DEC VAX range of minicomputers. Accuracy of about 80 per cent is achieved for "raw" translations, from which the professional translator produces the final, polished result.

The ESC team believes that computerised translation has been held back by the lack of glossaries to cover specialised areas of activity and it has developed these for computing, telecommunications, electronics, mechanical engineering, industrial control and instrumentation. It will build up other specialist or company-specific dictionaries as requested, and supply and support the necessary computer equipment.

Voices from the deep

THE "DONALD DUCK" speech sounds that divers seem to make when their voices come over an intercom link, can be put right by a correction unit offered by AEG in West Germany.

The diver's voice is changed because he breathes a gas mixture containing helium in order to avoid suffering from the "bends." The lower density of the gas shifts the voice resonances to higher frequencies, the effect gets worse the deeper he goes since more helium is used. The AEG unit electronically shifts the resonances to their correct frequencies and largely restores the natural voice sound.

Crystallising a simpler form

UNDER DEVELOPMENT at the Warren, Michigan, research laboratories of General Motors is a simplified form of liquid crytal display material, called Varilux, in which micro-droplets of the crystal material are dispersed in a plastic sheet.

Liquid crystal displays are now commonplace (in wrist watches for example), but they are complicated multi-layer systems and are rather expensive to produce. GM is looking for a system for vehicle use, which is a single homogenous sheet of material that can be switched from opaque to clear by a small voltage. Such a material will be used for electronic displays on the dashboard.

Fabrication of the material involves mixing crystal material with a resin and a photo-initiator, casting to the shape required and then curing by ultraviolet light. During curing, the microdroplets are formed. Thus, a relatively simple production process is on the cards.

By the application of 20 to 30 volts, the droplets can be made to optically match the plastic surrounding them so that there is no difference in refractive index, and light passes through. Removal of the voltage changes the droplets' index and the sheet becomes opaque due to scattering of the light.

At the moment, the best light transmittance achieved is about 81 per cent, with little image distortion. In the opaque state the sheet only lets about one per cent of the light through.

Key to artificial intelligence

IN THE belief that artificial intelligence (AI) is still a somewhat puzzling topic to many in business and industry, Texas Instruments, the US-based computer company, has produced a £135 starter kit with which anyone with a TI or IBM compatible personal computer can try his hand.

The kit goes beyond the introductory stage. Apart from didactic literature, it has video tapes and slide shows that feature users who have already put AI to practical use. In addition, experts in AI describe current and likely future uses.

The kit also provides TI demonstration software and a guide, so that beginners can have hands-on experience of expert systems.

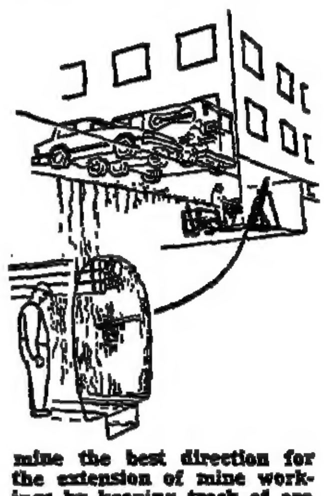
The gentle abrasive

DEVELOPMENT work at UK company Vacu-Blast, Slough, shows that the use of plastics-based abrasive blasting media is highly effective in removing paint without damaging underlying surfaces. The company has just established a plastics media advisory service.

The technique, claims Vacu-Blast, reduces job times dramatically and removes the hazards of conventional wet chemical methods. There are potential benefits, for example, in the removal of old airline liveries from aircraft without affecting the aluminium below. The company is continuing development and field testing and hopes to win full approval from the aerospace industry.

Vacu-Blast believes the technique can be used in many other industrial areas and will advise on the adaptation of existing blasting machines.

Long-distance drilling



A HOLE can be drilled over a long distance, say between the floor of a building and an outside telephone duct, using a system called Devibor, (right), offered by Swedish company Craelius of Marsta.

Usually, hitting a pre-determined target at the remote point is difficult, but using a steerable drill bit, the Craelius system is able to bore a hole of 46mm to 76mm diameter over a distance of 300 metres. A personal computer program enables the operator to control the drilling process precisely.

To date, Devibor, which was developed in conjunction with the Norwegian mining company, Sulitjelma Bergverk, has been used to determine the best direction for the extension of mine workings by keeping track of ore veins.

CONTACTS: Alcatel ESC: UK, 0279 27822. AEG: West Germany, 69 600 5454. General Motors Research Laboratories: US, 313 986 0614. Texas Instruments: UK office, 0234 63211. Vacu-Blast: UK, 0753 26511. Craelius: Sweden, 760 18000.

Correction to yesterday's list: Reflex Automated Systems: UK, 0283 580111.

Teamwork—or down today, up tomorrow

BY MICHAEL DIXON

THE JOBS column jumped up from the stretcher and stamped its right foot heavily three or four times on the rocky ground. "How odd. My ankle's perfectly OK again," I said.

The seven mud-covered men standing around, two with lamps still glowing on their helmets, looked at each other with a wild surmise. They had just spent an hour and a half straining to heave 13 stones of shivering and fitfully screaming Dixon, supposedly with a fractured ankle, out of a waterlogged corkscrewy cave on the fringe of Dartmoor.

Apart from cursing and shaking their fists, however, they took my mild deception in good part. They had been warned before leaving their offices that anything might happen once they arrived on the River Dart Centre's team-building course.

The seven work in the graphics group of the United Kingdom arm of the Tektronix company. Mike, an American, manages the other six. Of them, three—John, Ray and Richard—are managers directly in charge of sales of "workstations" and other high-tech wotsits. The rest—Dave, Howard and Paul—work at similar rank in support activities.

All had sampled team-skills training 15 months before. But that was an indoor event based on exercises such as assembling complex things from bits of Lego and so on. In the follow-up course, down in Devon, the exercises were truly exercising.

Within about an hour of arrival, the seven-strong team were donning overalls and helmets to go underground. So were the centre's two course-leaders and various hangers-on including Tektronix UK's personnel director Peter Jones, its training consultant Mark Walters, and the Jobs column.

"Don't tell anyone," Mr Walters said, "but when we turn back at the end of the cave we go down a slippery slope and I'd be grateful if you'd fall and break your leg or something. We want to find out how they cope in an emergency, you see."

As soon as my first yell had brought the senior course-leader slithering down to diagnose a broken right ankle, they contributed bits of clothing to cover me up. Then they quietly worked out a plan while the centre's staff fetched a stretcher from just inside the entrance to the cave.

Although bawling when anyone touched my foot, I followed Mark Walters's advice to feign semi-consciousness to cut the risk of blowing the gaff. So the team agreed that whoever was nearest my head must keep on talking to me as they sweated to pull, lift, lower, shove and twist the stretcher through the tortuous passages, some thigh-deep in yellow ooze.

At one point—a steep channel where six men had to haul up the stretcher tug-o'-war style on a rope while the other guided from below—John dropped out. He had cut his hand quite badly earlier, and said he could no longer bear to pull the rope. But he quickly joined in again when one of his team-mates snapped: "Oh come on! We know your hand hurts, but it's nowhere near as bad as this poor lad's ankle." Whereupon I felt a right heel.

Fortunately I was able to make amends later by telling the seven that from my viewpoint they had coped magnificently.

Fell apart

Their teamwork fell apart, however, when they sat down after dinner to review their cave-rescue performance in the context of their everyday work. "We are not having a frank discussion," observed Paul when nearly two hours of talk had gone by. "We are just hitting out and covering up as usual."

Early next morning the centre's boneshaker took us out to Dartmoor for "Exercise eagle has landed." That was an odd title for an event based on map-reading which consisted mainly of throwing a rope bridge over a river, rescuing the assistant course-leader from half way down a cliff and stretchering her to the distant pick-up point. But nobody wondered what the title might mean until it suddenly became obvious.

The equipment for the exercise had been hidden on the moor. But the team quickly found it, and the river was crossed in good time. Soon Mike, Ray and Richard were gingerly abseiling down the rock to recover the injured party, this time supposedly with both legs broken. She suffered a bit from Ray's memory of events in the cave. As he went to lift her by the feet she let out a shrill scream. "Knickers!," he replied, slinging her on the stretcher like a sack of coal.

Then the rescuers, variously bearing stretcher and assorted bits of equipment, trudged up the long hill ahead. Chief map-reader Paul had already checked the route which, sure enough, led them with quarter of an hour left before pick-up time to the boneshaker parked by a track to a farm.

Before they had rested there for five minutes, however, the team sensed something was wrong. After rechecking the map several of them cast about in different directions only to end up disagreeing what to do. Eventually four picked up the stretcher and went through the farmyard to the gate to the field beyond. The rest straggled behind and stood by the gate while the initiators of the move explored the hilly field, scratching their heads.

It was Dave who saved the day. Seeing that the course-leaders and hangers-on had all gone to the top of the slope, he ran up, spotted the orange marker in the next field, and yelled to the rest: "Get that stuff up here, quick." By the time they had done so, the "eagle" was whirring in to land. And the helicopter pilot had orders that, if the party was not on the spot when he arrived, he must fly off immediately.

"As a team, though, we were rubbish at the end," commented Richard to nods all round when the company was again assembled round the after-dinner trolley of drinks.

Communications

The talk then turned to what skill each person most wished to practise in the final exercise next morning. When Mike said "I want to lead the team wher I'm asked, not to manage it," the other six ganged up on him. They took it in turns to complain that, since he always imposed his own ideas whatever any of them said, there was little point in their asking him to do anything. Even on matters that clearly concerned them all, he was uncommunicative and increasingly inaccessible.

For a long time he stonewalled, occasionally blaming the poor communication on them—"I've heard nothing but silence from you for months." But at length, near midnight, he groaned: "OK. So I have a communications problem that I must resolve."

"I still think you haven't really listened," Howard said.

"Horse . . . !" roared Mike, "I'm learning. Who's for a poker game?" As the hangers-on went to bed, the cards came out and the seven pulled their chairs up to the table.

Perhaps because they pulled up the drinks trolley as well, they made a hash of the last morning's event. It set a cost and pay-off on each of a range of tough activities, and the aim was to make profits by engaging in as many as possible.

They wasted a lot of time before even deciding which to try. Each managed to perform an abseil—even John, still exhibiting his bandaged hand—and most did a couple of short rock-climbs. But that was all.

"Well, at least we've agreed to learn from it," Mike said later. "We've twigged that when we were deciding activities to try, everyone was looking for excuses to vote against. There was good profit potential in canoeing, for instance, but we all turned it down when John pointed out he couldn't swim."

"What really decided me against canoeing," said Ray, who is a keen ju jitsu man, "was being told that the boat-shed keys were in the cave and three of us would have to go in and fetch them. And I tell you straight, a team of shire horses wouldn't get me into that evil place again."

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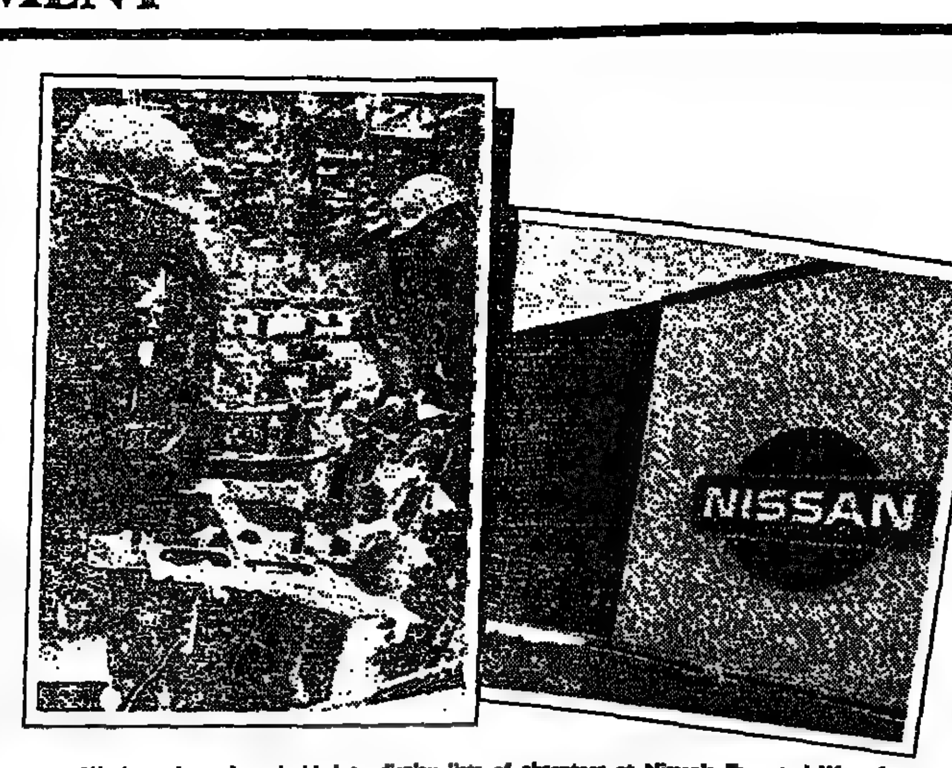


Workers themselves decided to display lists of absentees at Nissan's Tyne and Wear factory

Why absenteeism is a declining fashion

BY DAVID BRINDLE

THE MOOD inside Nissan's UK car plant at Washington, Tyne and Wear, is one of such deadly earnest that it comes as little surprise to find attendance lists displayed, identifying absentees of a particular work section by name and by the dates on which they failed to attend, thereby (it is implied) letting down their colleagues.

Another ploy of ruthless Japanese management? Apparently not. According to Peter Wickens, the plant personnel director, the idea came from the workers themselves and has caught on in some sections, though not all.

"Sometimes they come up with things like that, but we don't go around saying everybody has got to do it," Wickens says. "The whole philosophy is to try to create the atmosphere where that sort of thing is possible, but not to insist on it."

It is a philosophy which has achieved an overall absence rate of less than 3 per cent. In the three months to July, attendance (excluding holidays) averaged a little more than 97.2 per cent — good by any standards but, Wickens boasts, quite remarkable for the motor industry and for the north-east. The secrets of his success? "Motivation, job interest, provision of a reasonable working environment."

Ah yes, say the critics, but what about unemployment? Surely the long black shadow of Tyne and Wear's dole queue is sufficient reason for any Nissan worker to think twice about lingering abed of a morning and jeopardising his hard-won job.

On that argument, though, UK industry ought to have virtually eradicated its absenteeism problem. Patently it has not. The 1984 General Household Survey, which gives the latest statistics, has an overall employee absence figure of 7 per cent, admittedly down from 9 per cent in 1979 and admittedly including strikes and short-time/lay-offs.

Within that total, however, there are some worse blackspots: 10 per cent absence among skilled manual workers, 9 per cent among the semi-skilled, 12 per cent among 16-17-year-old workers and at least 8 per cent in all blue-collar industry groups except construction.

A survey conducted by the Industrial Society in 1985—a follow-up is due to be published in October—produced an average 4.6 per cent rate for absence owing to sickness alone. Regional variations ranged from 3.5 per cent in London, to 5 per cent in the north-west and in the north-east, to 8.5 per cent in a small Northern Ireland sample.

The survey came up with two crude rules-of-thumb: first, the bigger the employing organisation, the higher the absence rate; second, manual workers are absent almost twice as often as staff, who are in turn absent almost twice as often as managers.

It also found that a substantial minority of employers (40 per cent) blamed a rise in absenteeism on the introduction in 1982 of self-certification of illness for absences of up to seven days. On the other hand, 43 per cent said the change had made no difference.

One manager who does see a link between absenteeism and self-certification, or at least management's unpreparedness for self-certification, is David Young, personnel director at the Vauxhall motor company.

Since last autumn he has been leading a determined campaign to curb unwarranted absence at the company's Ellesmere Port and Luton plants. At the latter, total absence including holidays was running at 15.5 per cent and peaking as high as 22 per cent on Mondays and Fridays. It is now down to 12 per cent. Sickness absence alone is said to be down to 6.5 per cent from a high of 13.5 per cent.

"We would regard a more reasonable level for sickness absence as 4 to 4.5 per cent," says Young.

The turnaround at Vauxhall has been achieved by nothing more radical than a tightening of absence procedures: identifying persistent absentees, counselling them and, ultimately, giving them five to eight weeks to improve their record.

The management has, however, not shirked from the final sanction. Young says: "In the 10 months we are talking about, we have probably removed from the payroll, either by their own leaving or by us dismissing them, somewhere in the region of 130 people."

The result is that Luton's record is probably now better than that of Ellesmere Port, to where the focus is shifting. Further improvement is hoped for at both plants by reducing to five, four or even three weeks the "grace" period allowed for improvement in poor individual attendance records.

Persistence, though, depends on having identified the source of the problem, its cause and cure. In a study published last year, the research group Incomes Data Services set out seven steps for employers to take in monitoring and controlling absence:

- Improve selection and induction of recruits.
- Check if any problem is localised.
- Remind managers and supervisors of their responsibility.
- Consider special absence control arrangements.
- Reassess sickness pay benefits.
- Think about financial incentives for attendance.

Ford says an attendance bonus scheme introduced for blue-collar workers at its UK car plants in 1978 has been instrumental in cutting absenteeism. The bonus ranges from £7.42 to £9.59 a week, according to grade, and is forfeited in its entirety if full shift hours are not worked for any reason without prior permission.

The company is coy about disclosing absence figures, but claims to "suffer less, by and large" than comparably-sized organisations and notes "a somewhat different attitude on the part of the hourly-paid workforce over recent years."

Since last year, Austin Rover has also operated a form of financial incentive for attendance. As part of the general wage agreement, each plant has been given the right to pay employees with at least three months' service for the first three "waiting days" of each short-term absence — provided that plant's overall 12-month unauthorised absence record is at or below 5 per cent.

Use of cash inducements cuts no ice with Hugh Smith, employee relations manager at Rank Xerox's manufacturing plant at Welwyn Garden City, Hertfordshire. He does, however, believe in rewarding 100 per cent attendance over a year with a certificate and gift.

He is due to speak at the Institute of Personnel Management conference in October on how he reduced unauthorised absence at the plant from 5.5 per cent to 3.3 per cent by transferring responsibility from the central personnel department to supervisors.

"Sadly, we have had a few setbacks this year with some long-term absences and the figure was back up at 3.8 per cent in June," says Smith. But he is trying, with the unions, "to develop some new ways of attacking it." Again, persistence.

At its worst, absenteeism has done lasting damage to an industry like the docks. In 1968, the unauthorised absence rate among registered dockers employed by the Tees and Hartlepool Port Authority was 18 per cent; among the authority's other employees it was some 7 or 8 per cent. Today, the overall rate for what is now known as Teesport is just 2.8 per cent.

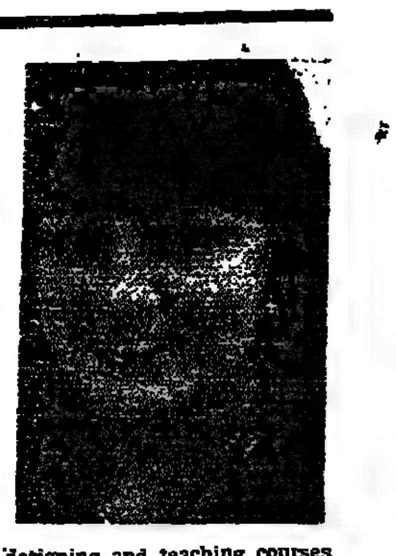
Keith Beckton, the port's personnel director, says his balanced approach of part motivation, part incentive payments proves that even 450 registered dockers — guaranteed a job for life — can turn in absence records that would make many another employer green with envy.

"My belief is that this port has the best attendance record of any in the country — and probably the best of most industries," says Beckton. That sounds like a challenge.

Survey of Absence Rates and Attendance Bonuses — Autumn 1985; Industrial Society, Peter Runge House, 3-4 Carlton House Terrace, London SW1 5DG, £10. IDS Study 365; IDS, 193 St John Street, London EC1V 4LS; by subscription.

Continually on the move in a socially useful occupation

Pennie Evans tells Michael Skapinker how working for British Rail keeps her cheerful



INSIDE EDGE

PENNIE EVANS, who once achieved fame as Britain's first woman station manager, is a relentlessly cheerful character. But there are people who irritate her. British Rail information staff who get clever with the customers; opponents of the Channel Tunnel; and those who wonder how someone with her energy and ambition ended up in a nationalised industry.

"It's annoying to get people implying that if you were any good you would be in the private sector," she says. British Rail, she insists, has offered her a wealth of opportunity, from running the Burgess Hill station in Sussex, to being area passenger manager at Liverpool Street, in London, to her current job as director of studies at the BR Management Training Centre near Watford.

"There is also the question of doing something that is socially useful. I know that sounds like the sort of thing a Miss World would say, but—I don't want to be controversial—there are jobs that are less socially useful than mine.

"The rewards here are not as great as they would be in the private sector. But if someone is only motivated by a large salary they're never going to join BR anyway. I'm not sure the industry would work if all people were after was money. They wouldn't want all the impositions that are made on your social life and family life, like having to move house all the time."

She has, for the moment, managed to resolve the conflict between career and family. She has a home in Woking, midway between her job and her husband's, two Golf GTIs ("awfully yuppie") to get them both around, and a childminder ("the linchpin of my existence") to help look after their year-old son.

Her husband works for BR too, as the local area manager of Network SouthEast in Portsmouth. His face smiles out at her office from a poster fixed to her wall. "Mark Evans is on this line," it says, inviting commuters to phone in with their suggestions and complaints. (The Advertising Standards Authority is investigating the posters after a complaint from a passenger who was unable to get through to a particular area manager.)

She met Mark Evans when she was still a management trainee and they married while she was running Burgess Hill. Being the country's first woman station manager got her a lot of press attention, which did her no harm when it came to dealing with the 20 employees under her control. "They got a kick out of all the fuss. Some of them got interviewed about what it's like to work for a lady boss."

The move to Liverpool Street was a complete change of pace. It is the busiest rush hour station in Europe, she says, conceding that Waterloo might take exception to such a claim. "The London stations are a tremendous experience — the millions of pounds that come through the ticket windows. And you get a diversity of types and cultures that you don't get in rural Sussex."

Pennie Evans stayed at Liverpool Street for almost two years, before getting her present job, researching, designing and teaching courses for BR managers.

She says that all women managers at BR—3 per cent of the total management staff—will usually be the first woman to fill whatever position they reach. People will always be watching them to see if they can cope. "The women are expected to do better. I don't think it's right, but that's the way it is. It manifests itself in all sorts of ways, like women scrupulously avoiding any mention of family matters in the office for fear of being thought of as being torn between work and home."

For many potential women managers in BR the problem is a lack of role models, she says. At the beginning of next year she will be helping to run a course for women in BR who want to become managers. Some of them are already managing people, but without the title to go with it. She wants to see more of them gaining the confidence to apply for management positions.

She is not standing still herself. In October she begins a one-day-a-week part-time Master of Business Administration degree at the Henley management college. The biggest change in BR over the past few years is its drive to become more business-oriented, she says, so an MBA seemed to her to be a good idea.

"It was my initiative. I asked for the sponsorship and to my surprise I got it." She chose Henley because it was convenient for her to travel to, but also because of what she sees as the course's focus on finance. "One of my weaknesses is financial management and I wanted to remedy that. I don't want a course that focused on personal skills and entrepreneurship."

After her MBA she thinks she might want to be in charge of training and development in one of BR's business sectors. None of the sectors really has such a position, but that is not the sort of obstacle that deters her.

● FT LAW REPORTS

Digest of Trinity Term cases

FROM JUNE 24 TO JULY 15

President of India v Slobodona Plividba S Yugoslavia and Others (FT, June 24)

The charterers contended that the method of calculating laytime where the charterparty provided "cargo to be discharged . . . at the average rate of 1,000 metric tonnes . . . five or more available workable hatches, pro rata if less number of hatches . . ." was that the contractual rate would diminish as holds became empty so that the time permitted for discharge was governed by the quantity of cargo in the hold into which the greatest quantity of cargo had been loaded. In upholding the charterers' contention against decisions to the contrary in four separate arbitrations, Mr Justice Webster stated that there was no reason why a hatch with no cargo in the hold beneath it should be treated as an available workable hatch for the purpose of determining the rate of discharge for the vessel. The relevant clause meant no more than that the average discharge rate was to be 1,000 metric tonnes if there were five such hatches, 800 if there were four, 600 if there were three and so on.

Interpool Ltd v Galani (FT, June 26)

Interpool Ltd registered a Paris judgment against Mr Galani in the Queen's Bench Division. However, Mr Galani refused to answer questions on the whereabouts of his assets outside the jurisdiction on the grounds that the procedure under the Rules of the Supreme Court, Order 48, was confined to property within the jurisdiction. In rejecting his appeal against a decision that he was obliged to answer, the Court of Appeal stated that the provisions for the reciprocal enforcement of judgments between states were continuously expanding. It was consistent with that pattern, that the judgment creditor should have available to him a procedure under Order 48 which he could utilise to establish whether, in default of English assets, there were foreign assets available to satisfy his judgment.

J. H. Rayner (Mincing Lane) Ltd v Department of Trade and Industry and Others) (FT, June 30)

The ITC defaulted on contracts with the plaintiffs, who obtained an award of £16,347,825 against it, and now sought to recover the sum from 24 member states of the ITC. Under paragraph 5 of the International Tin Council (Immunities and Privileges) Order 1972, the ITC was given the "legal capacities of a body corporate." The effect of that paragraph was that while the ITC was not a corporation for the internal regulation of its affairs under the Companies Act, nonetheless, in its dealing with others, it was to be treated as if it were a body corporate, Mr Justice Staughton held. Thus its members were not liable to third parties for its obligations either in addition to or in place of the ITC and accordingly the plaintiffs' statement of claim ought to be struck out as disclosing no reasonable cause of action.

Kemp v Intasun Holidays Ltd (FT, July 1)

When Mrs Kemp booked her Intasun summer holiday with Thomas Cook, she told one of the assistants that her husband suffered from asthma and would require special insurance as a result. The Kemps were accommodated in the staff quarters of a hotel, for which they had not booked, where the room's dusty and dirty condition had a deleterious effect on Mr Kemp's asthma. In allowing Intasun's appeal against that part of the award for £800, which Mr Kemp obtained at first instance for his asthma attack, the Court of Appeal stated that, in addition to liability for stress, discomfort and disappointment, a tour operator had to accept liability for the consequences where these flowed naturally from the breach of contract and caused additional foreseeable loss or damage. However, in the instant case, the circumstances in which Thomas Cook received the limited information of Mr Kemp's health entirely precluded the court from holding that the asthma attack was a foreseeable consequence of Intasun's failure to provide proper accommodation.

Welbeck Securities Ltd v Poulson (Inspector of Taxes) (FT, July 3)

Welbeck Securities Ltd received £2m when it compromised proceedings to enforce an option against two companies. The Court of Appeal upheld a decision of Mr Justice Hoffmann who allowed an appeal by the Crown that the capital sum arose from a disposal of assets under section 22(3) of the Finance Act 1965, notwithstanding that paragraph 14 of Schedule 7 stated that an abandonment of an option did not constitute "the disposal of an asset." There was nothing in the context of paragraph 14(3) or in its legislative purpose to affect the conclusion that, according to a fair and ordinary reading, it did not operate as an exception to section 22(3), which provided that there was a disposal of assets by their owner where any capital sum was derived therefrom.

McDermid v Nash Dredging and Reclamation Co Ltd (FT, July 7)

The plaintiff, an employee of the defendants, suffered a serious accident at work aboard a tug owned by Stevin, the defendants' parent company, due to the negligence of the tug's master, an employee of Stevin. The plaintiff was awarded damages against the defendants at first instance and in the Court of Appeal, the latter also holding that there was no limitation of liability in the defendants' favour under the Merchant Shipping Acts. In upholding this decision, the House of Lords stated that the duty of an employer to take care of his employee was non-delegable — the essential characteristic of which was that it was no defence for the employer to show that he delegated performance to a person, whether his servant or not, whom he reasonably believed to be competent to perform it.

In Re EVTR Ltd (FT, July 8)

Mr Barber lent EVTR £60,000 for the "sole purpose of buying new equipment." EVTR duly paid out the money but before it received the equipment EVTR went into liquidation. In the summons issued by the receivers it was held that they, as against Mr Barber, were entitled to retain the balance of the £60,000 refunded to EVTR. In allowing Mr Barber's appeal, the Court of Appeal stated that it was a long-established principle of equity that if a trustee received money in respect of trust property, he held it as constructive trustee on the trusts of the original trust property. It followed that the repayments made to the receivers were subject to the same trusts as the original £60,000 in the hands of EVTR.

K/S A/S Bani and K/S A/S Havbulk v Korea Shipbuilding and Engineering Corporation (FT, July 10)

In refusing an application for security for costs in a dispute between Korean shipbuilders and Norwegian buyers, Mr Justice Hirst, at first instance, stated that it was a "quintessential one-off international arbitration dispute" and that London had been chosen "for mere convenience." In allowing the buyers' appeal, the Court of Appeal stated that the following factors were material: (i) the type of arbitration had regularly been conducted in London; (ii) security was more necessary where costs were high; (iii) the parties had incorporated English law; (iv) there was no evidence that London had been chosen for mere convenience; (v) there was doubt as to the buyers' ability to meet an order for costs.

Mobil North Sea v Inland Revenue Commissioners (FT, July 14)

In 1980 the taxpayer entered into an agreement that Bechtel Great Britain Ltd should both provide it with a production platform for exploration in the North Sea and also act as its agent in contracting out the work for the construction of the platform. The agency contracts were made by Bechtel in 1981. The question whether the taxpayer was entitled to claim tax relief on money expended in reimbursing the contractor for the agency contracts, under the transitional provisions to s111 of the Finance Act 1981 as expenditure incurred "in pursuance of an agreement" entered into before January 1 1981, was answered affirmatively at first instance but in the negative in the Court of Appeal. Upholding the first instance decision, the House of Lords stated that there was no reason for distinguishing the agency contracts from the subcontracts as both contracts were entered into in pursuance of the main contract of 1980.

Redmond v Allied Irish Bank PLC (FT, July 15)

Mr Redmond deposited three non-negotiable cheques drawn by Wagon Finance Ltd on Williams and Glyn's Bank and drew out the value of the cheques at the same time. Each cheque was made out to an individual payee and appeared to bear the general endorsement of the named payee on the back but unknown to Mr Redmond, the cheques were in circulation as a result of fraud and the bank subsequently debited his account to the full amount. In dismissing Mr Redmond's claim that the bank had owed him a duty of care to warn him against the risks of dealing with the cheques in that manner, Mr Justice Saville stated a duty to take reasonable care in interpreting, ascertaining and acting in accordance with a customer's instructions was wholly different from the suggested duty to warn against, or advise on the risks inherent in carrying through a transaction which the customer wanted to do.

The first part of this digest appeared yesterday. It will be concluded on Friday.

By Aviva Golden

Television/Brian Wenham

Fine and fancy titles ask for trouble

Good to hear whispers, in the week Ronald Reagan began to remember more of what he'd been told, of a planned BBC documentary venture called *Real Lies*. The title, of course, echoes the earlier *Real Lives*, one of which—*At the Edge of the Union*—greatly delayed my holiday, two years ago this week. More authoritative versions will trickle out in the years ahead, but the shortform account is easily enough set out.

The sky out of which the row came was blue. My diary for July 28th notes: "Re-did Peacock initial evidence, for last time? Mahler 2 at Prom. Sunday Times speaks of Irish documentary problem." On the next day, BBC management saw the piece, pronounced it transmittable, preferably with a follow-up talk, and sat back. At which point Leon Brittan lobbed the Chairman this grenade: "Even if the programme and any surrounding material were, as a whole, to present terrorist organisations in a wholly unfavourable light, I would ask you not to permit it to be broadcast."

Governors not unreasonably thought they had little alternative but to see the material for themselves: they did not like what they saw, and so the crisis entered its second phase. The assumption behind the rare gubernatorial take-over of executive power is that Governors will then operate with even greater wisdom than the superceded professionals. But in being blind to history, and deaf to precedent, the Governors fumbled, and to their horror ran into global condemnation, particularly from gleeful regimes of hardly liberal hue. All broadcast journalists downed tools on what would have been transmission day; the crisis could clearly be resolved only by showing the programme, albeit with cosmetic adjustment; the deed was finally done on October 16th; and the earth did not move.

Internally however the bruising went deep and wide. As between the then Governors and the programme executives on Alasdair Milne's management board there seemed to be "never a glad confident morning again." Which brings us, with a hop, skip and a jump, to where we are today, save for a few reflections.

First of all, in matters of this sort, it is absurd not to make full use of your own deadlines. The first Sunday Times stirrings of the *Real Lives* porridge came a full 10 days before the planned transmission. The urgency was therefore entirely of the BBC's own making. No final decision as to whether or how to broadcast needed to be taken before the afternoon of the intended day. Any scheduler worth his salt can find a last-minute substitute within a matter of hours. A few years earlier, in the Carrickmore incident, we witnessed an even more extreme case of premature excitation. Film had been taken of an IRA patrol under dubious circumstances. Downing Street agitated the Home Office; the Home Office agitated the BBC, whose Governors happened to be meeting that day; apologies were drafted by lunchtime. Here was an incident where no decision had been taken even to include the film in the edited report, in any case some weeks off. Raw film is television's equivalent to the reporter's notebook. If we were all to grow alarmed at the contents of the pressman's notebook, there could be no end to anguish.

It should further be noted that the prime movers in these broadcast scare stories are usually colleagues from the written press. Increasingly the press makes no secret of its ambition to make inroads into broadcasting's territory. Both Rupert Murdoch and Robert Maxwell boast of their multi-media intentions. Anything that manages to embarrass those who currently hold the field must work to their long-term advantage. In short, most scare messages in today's press should be looked at first for what they are: dispatches from within enemy lines designed to confuse and destabilise.

The broadcaster could however usefully develop better defences, particularly in the matter of labelling. Free and fancy titles ask for trouble. If I eventually complete the monograph entitled "Labelling theory and crisis management in British Television 1969-87" what I shall say of *Real Lives* is this: "You invite trouble if you widen the net too far, because the system is insufficiently robust to be able to contain surprise. In the sextet of documentaries that included *At the Edge of the Union*, we also find *Sister Wives*, *Earth Magic*, and *True Romance*. In subsequent series *Poison City* jostles alongside *Blow Dry in Vegas*. Even I should have wanted to ask questions."

Not only what you call a programme but where you place it can powerfully confuse. It is often assumed that the troublesome *Yesterday's Men* documentary that so annoyed Harold Wilson was always intended to be an edition of the then late-night programme *24 Hours*. It wasn't. First it was intended to stand free; then it was popped into the Thursday *24 Hours* slot as displacement, and finally it was twinned with a second programme on the Tory party, to run the following night.

In the event the fast-made programme on the Tories lacked the style and bite of *Yesterday's Men*, thus doubling disquiet in Labour ranks: why were the Tories being let off so lightly? In all this uncertainty the one message never received and understood by the Labour top brass was that the intention all along had been a piece that was oblique, angled and impressionistic. I still recall the puzzlement in Barbara Castle's voice when I tried to explain to her over the telephone. "You see, it's not really best seen as head-on reporting, more of a sketch, a feature, a frolic, even a bit of fun." But by then what fun there was had been smothered in a welter of threats and writs.

In future years the labelling problem may ease. With four channels up and running, and many more promised or threatened, he who fails to make clear in advance what is on offer is a fool. Contrast with earlier times, when you might hope to steal a march, to surprise the audience into a new view, or even a new understanding. Many of the sharper drama producers were adept at offering lamb dressed as mutton. Tony Garnett's *Law and Order*, in reality a gloriously sceptical set of plays, was originally put forward as the plainest reportage, to try to give the signal "fact" rather than "fiction." When I quizzed Tony, he told me: "But they're very ordinary programmes, really." "Let's call them plays all the same, shall we?" And so, it was as plays they were correctly offered. Nowadays though in the upfront climate of hype and counter-hype such subterfuge would seem oldhat as well as counter-productive.

Someone, however, will need to continue to keep gate somewhere, particularly in matters of taste—language, violence, prurience. If the broadcasters themselves give up, then Mary Whitehouse or the Complaints commission will take over, or both. It is not without irony that next Tuesday one of Alasdair Milne's more celebrated pieces of "gate-keeping" is to be undone, in the screening of Dennis Potter's *Brimstone and Treacle*. So what Milne did to Carlton-Greene in the liberating of *War Game*, is now done to him through Michael Grade and Michael Checkland. Wisely he has decided on balance not to appear in the programme after the play to discuss the "issues." No real point in responding to what are simply acts of Realpolitik.

There is, of course, advantage in maintaining flexibility so that the stoppages of one regime may be flushed through by the next, but where does it end? Will tactic come to dominate principle? Will the highly-violent play *Scum* be the next to roll out of the compound? If not, why not? How do we know when we are on shifting sands?

Brian Wenham was Managing Director of BBC Radio. Christopher Dunkley returns next week.

Denholm Elliott, Michael Kitchen and Patricia Lawrence in Dennis Potter's "Brimstone and Treacle" which finally reaches the screen next Tuesday after more than a decade

Nuyerev in London tribute to Astaire

Rudolph Nureyev is to take part in a tribute to Fred Astaire, who died in June. The gala performance will form part of the UK Dance Design Championships on August 27 at London's Hippodrome Theatre.

Members of the casts of *Chess*, *Time* and *High Society* will also be appearing to honour Astaire.

Proceeds will go to the Terence Higgins Trust, the Aids counselling charity. Other stars taking part include Sammy Cahn and Elisabeth Welch.

Troilus and Cressida/King's, Edinburgh

Martin Hoyle

The slanting white sheet, a sail-turned-ski-slope, recalls our own National Theatre's *King Lear*. But visually the Berliner Ensemble has more coherence than the South Bank show. This *Troilus* is a play of scavengers and detritus, the fag-end of seven years of a now aimless war. We discover the tramp-like Thersites rummaging in a dump of old iron, discarded bits of armour to be shovelled up by anonymous black-hooded and boiler-suited figures who later, faces blood-daubed, will drag Hector's body across the stage. If there is a limitless proletariat to call on, the leaders have regressed into primitive chieftains, their symbols of authority evoking equally the tribal hierarchy and the shaman. A dead animal dangles from a string round the neck of Thersites (Ekkhard Schall), a bluffly domineering ex-RSM rather than a repulsive malcontent). Hermann Beyer's vulpine Ulysses boasts a trilby, whose broad brim hides his eyes, and a cape of rodent furs. A white mink jacket is the ultimate accolade for the bartered Cressida: a status symbol to deck prestige merchandise.

The production by Manfred Weckwerth and Joachim Tenschert has glanced at oriental theatre and passed on; though the telling use of splintered fragments of musical exclamation marks, the head-bands and faintly Samurai-like uniform, the martial posturing of Alejandro Quintana's fatuous Ajax, place Ilium's topless towers somewhere near the Land of the Rising Sun.

The white cloth, meanwhile, becomes a backdrop for projected moons and scudding clouds, is curved and hooked to provide a parapet from which Cressida and Pandarus observe the heroes, is bunched round Agamemnon like a robe, and is gathered into a swag which the lovers fumble frantically to undo in search of a curtain to fall across their first amorous bout.

This vigorous, thrusting interpretation squeezes Shakespeare's second longest text (after *Hamlet*) into three hours' playing time. The production's priorities are exemplified by the barbarous pruning of the "arms for oblivion" speech—filleted into a few lines on one-upmanship. The personal, let alone domestic, side of these heroes sliding into arid abstractions about principle, is ignored—even when Renate Richter's Cassandra interrupts her family's stylised banquet with her ravings, finally pulling away the tablecloth and transporting us fleetingly to the world of Bunuel's *discreet bourgeoisie* in perpetual search of a sit-down meal.

The focus on individual members of a society regressing from sophistication to caveman savagery (Ulysses actually drags Cressida by her hair in the Greek camp) becomes sharper with Martin Seifert's slightly frowsy Troilus, an initial hint of designer stubble, and, especially, Corinna Harfouch's Cressida, who can dominate a scene by simply standing still. Loud and edgy, she screeches in rigidly depicted pain at the mention of Helen. Physically aggressive, she punctuates arguments with flailing fists, and indulges in desperate near-rape of Troilus when told she must leave Troy. The kisses forced on her in the Greek camp are ugly. Her badinage assumes the jerkily distraught rhythms that presage madness.

The lovers' natural complexions contrast with the grey sheen on the faces of the leaders, hollow or red of eye, as if putrefaction had set in; and the mechanical lusciousness of Angelika Waller's Helen, in monstrously panniered Marie-Antoinette skirts, her breasts exaggeratedly round (fondling them is the only way to cut off her robotic laughter).

Handsomely-lit deceptive textures — the grey side walls resemble furrowed mud or rough-set concrete; the glaringly illumined background reveals a great torn opening of frayed edges, beyond which nothing. The production gains from Rainer Böhm's jagged music (plus blasts of Handel for worldly pomp and a mixture of military fanfare and oom-pa). Two evening-clothed musicians stroll on to play percussion—plus jew's harp—stage left; a reminder, like the deliberately artificial and unconvincing arrangement of the spying on Cressida and Diomedes, of the company's Brechtian pedigree.

To a British audience a broader exploration of humanity is called for. Thersites-like railings on the part of distinguished colleagues on the shortcomings of our native school of production seem unjustified. But this is unmistakably a great company at work, and they should play *The Caucasian Chalk Circle* later his week as to the manner born—which, almost literally, they were.

The Bolshoy Ballet/San Francisco

Clement Crisp

The Bolshoy Ballet, in the midst of an extended United States tour, was in San Francisco recently and, considering the ardours of their schedule, in exultant form. What is so admirable is the consistency of Bolshoy performances, that combination of artistic and physical stamina which means that the cumulative power of the company's style and the discipline of presentation does not waver. On the grand expanse of the War Memorial Opera House's stage, the dancers devoured space as if defying gravity and the mere constraints of human physique.

Programming brought Grigorovich's recent revision of *Giselle* and a triple bill comprising the first act of his *Romeo and Juliet* and the second act of *Spartacus*, with a filling of divertissements. The *Romeo*, on whose Paris Opera première and later Bolshoy performances I reported a decade ago, is a cogent illustration of Grigorovich's concept of dance as drama. Gone are the laboured verismo, the Veronese post-card effects, of the old Lavrovsky production which for nearly half a century has been the examplar of Bolshoy dance-drama.

Instead, Grigorovich has proposed an abstraction of feeling, dance to replace the pantomime which gave the Lavrovsky version its weight and, with that weight, its dance-inanition. Leaner, lighter, Grigorovich's *Romeo* is a fantasy about Shakespeare's characters, with the dance moving like a film camera, cutting through crowd scenes and duets, catching the sweep of physical activity and then focussing on a moment of intensest drama, as when Lord Capulet gives his sword to Tybalt and thus guarantees the continuation of the family feud.

In San Francisco, *Romeo's* first act had an exhilarating sweep of movement, with Nina Ananiashvili a gazelle-like Juliet of soaring leaps and innocence, and Andris Liepa a Romeo whose first appearance, racing over the stage and then holding the gesture of an extended arm, spoke of rare nobility of feeling. Like the dance-style, Simon Virsaladze's design proclaims the merits of a non-specific yet evocative manner: his luminous hints at settings bring Italy vividly to our minds without ponderous literalism, and are beautiful.

Irek Mukhamedov in "Spartacus"

This *Romeo*, which looked to me somewhat edited and developed in its choreography since its première, marks just as much an advance in Grigorovich's creativity as did his *Spartacus* of ten years before upon the standard Bolshoy manner. *Spartacus'* drama is more theatrically direct, but its reliance upon dance-means is no less sure, and it continues to receive performances of high muscular intensity.

I saw two casts: Irek Mukhamedov blazing as the slave-leader, cleaving the air in glory, with Lyudmila Semenyaka his Phrygia, curved and caught round him in tendrils of love and devotion; and Alexey Fadeyechev as a serious and visionary hero with a powerful drive to his dancing, and Natalya Bessmertnova's Phrygia the perfect expression of the Grigorovich style, unforgettable in the sculptural poses that speak of her dedication.

In the divertissement which came between these two major portions of the evening, various classical sweetmeats were offered. Especially memorable the appearance of Semenyaka in the Black Swan duet, showing us an Odile who is both a dazzling virtuoso and an actress whose swiftly changing moods are no less dazzling to Fadeyechev's noble Siegfried. The entire force of the drama was explicit in their performances. So, in joyous mood, were the delights of *Don Quixote* in the interpretations by Semenyaka and Mukhamedov of the last act Grand Pas.

Both artists laughed at difficulties, flirting in happiest style with the ideals of bravura dancing and with their roles; both were extravagantly Spanish, irresistible, utterly charming. Of the other party-pieces, Bessmertnova's grande valse from *Chopiniana* with Yury Vasyuchenko was a demonstration of style at its most commanding: in this brief extract, against black curtains, *Chopiniana* lived, as Bessmertnova drifted and eddied through the night air.

Yury Grigorovich's belief in dance-as-drama also finds statement in his revision of *Giselle*. As I noted from Paris last year, he has cleared away everything but the essentials of the narrative. As with Virsaladze's fine design (simple washes of colour, hints of a castle, for Act 1; a spectral forest for Act 2), we are given certain essentials, then our imaginations are freed to watch the action as a dance poem. The production does, though, demand principals to hold its focus. In Paris I saw two sublime Giselles, Bessmertnova and Semenyaka. In San Francisco the first cast was Alla Mikhalchenko with Irek Mukhamedov.

Mikhalchenko, who had earlier in the week been an Aegina in *Spartacus* of elegant allure and menace, and whose Raymonda I have admired for its distinction of form, did not here seem a natural Giselle. She has lightness, a refined manner, but not the stylistic sympathy for balletic Romanticism, nor the resonance of feeling, that give emotional force to Giselle in this staging. (With Bessmertnova and Semenyaka one sensed the historical antecedents of the role in its near century and a half of Russian performance.)

The fascination of the performance was in Mukhamedov's Albrecht, a reading of nascent greatness. He plays with utter sincerity, and a breadth of emotional effects that begin with eyes that register every nuance of feeling, and culminate in the huge impulse with which he marks dramatic climaxes, as when he seizes the sword to attack Hilarion, or leaps into the solos of the forest scene. The dance is everywhere clean and powerful, and the emotional life of the role is burningly clear, comparable with his Spartacus or Ivan or Boris. He is heir to the most thrilling traditions of Russian male dancing.

Mary Rose/Greenwich Theatre

Anthony Curtis

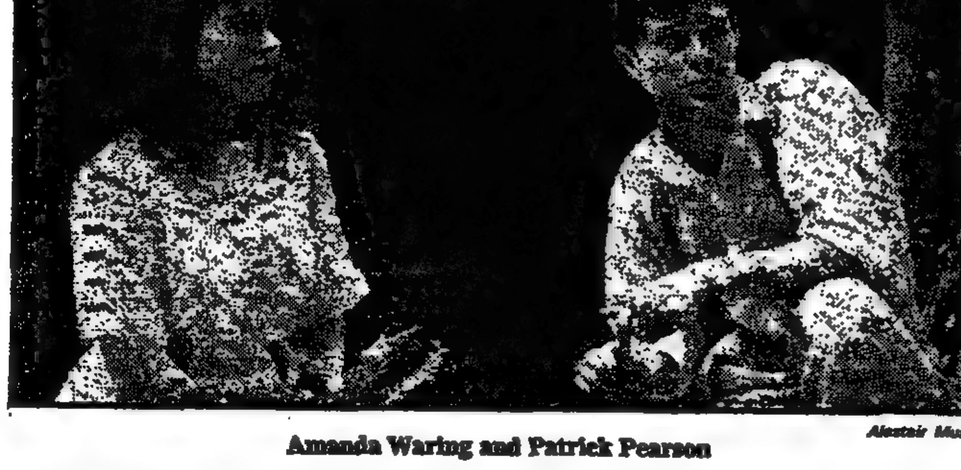
Barrie brooded over *Mary Rose* for many years before it was finally written. The legend of the girl taken and returned by the fairies had come into his ken on Harris in the Hebrides when he took a house there for the summer, and had the Llewelyn-Davies boys and their friends to stay. That was in 1912, but by 1920 when the play was produced the notion had become overlaid in his mind by thoughts of the First World War, and the disillusionment of the post-war period; by then Mary Rose stood as not just a lost girl but as a whole lost era of his own youth and potency.

The result is a strangely rambling and sentimental play spanning the generations, and shifting about in time and place, from rural Sussex to the Western Isles, which none the less does contain moments of genuine humour and poignancy. Matthew Francis's production has an affectionate respect for it and makes good use of the Greenwich stage which has two virtues: depth and height. The fireplace kindled into life by the returning prodigal, now an Australian soldier, played in a subdued manner by Chris Humphreys, is the focal point on the thrusting apron, almost in the lap of the audience, in the first scene. In its glow the whole drawing room is illuminated with the apple tree visible through the window and the apple room approached by a towering spiral staircase on the left of the stage.

When in the second act we move to the remote island the campfire where the trout is cooked by the parsonical ghillie (Neil Duncan) is at a distance upstage. And the whole action moves quite happily between these two reference points in Bunny Christie's clever set.

The performances which it frames are never less than adequate but never quite succeed in lifting the piece into the empyrean where, according to Barrie, Mary Rose herself ends. Amanda Waring is always earthbound despite a wide eyed intensity and natural grace. Her husband (Patrick Pearson) was more convincing in his maturity as a naval captain than in his callow youth. In the original production this role was doubled with that of his son which no doubt enriched the ambiguity in the relations to good effect. The old folks were in safe hands — those of Anna Cropper, Michael Burrell and Paul Imbusch.

Certainly the production made one aware how much this play is a vital link in a chain that leads to Coward's *Blithe Spirit*, and then more recently to Pinter's *A Kind of Alaska* and Ayckbourn's *Woman in Mind*.



Alastair Muir

Amanda Waring and Patrick Pearson

Arts Guide

August 14-20

Theatre

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

The Balcony (Barbican): Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes. (628 8795).

Melon (Haymarket): Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray. (930 9832).

Follies (Shaftesbury): Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque re-union in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Serious Money (Wyndham's): Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6565).

A Small Family Business (Olivier): Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale, Ayckbourn's own production is led majestically by Michael Gambon. Best of the NT rest remains King Lear and Antony and Cleopatra in the Olivier, A View From the Bridge in the Cottesloe. The new Brian Friel adaptation of Turgenev's Fathers and Sons is decent but dull in the Lyttelton. (928 2252).

Three Men on a Horse (Vaudeville): George Abbott's sprightly gambling comedy has transferred from the National. Geoffrey Hutchings in the lead now joined by Toyah Wilcox (836 9987).

NETHERLANDS

Amsterdam, Stadsschouwburg. The English Speaking Theatre of Amsterdam in Barrie Keeffe's trilogy Barbarians directed by David Swatling (all week except Sun and Mon). (24 23 11).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

All My Sons (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of [illegible] won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Les Misérables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters; but it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

Satchmo (Opera House): New musical based on the life and music of Louis Armstrong opens. Kennedy Center (254 3770).

CHICAGO

Sunday in the Park with George (Goodman): Stephen Sondheim and James Lapine's Pulitzer Prize winning musical based on suppositions about the life of artist and Georges Seurat stars John Herrera as the artist and Paula Scrofano as his lover, Dot, directed by Michael Maggio. Ends Aug 16 (443 3800).

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was hand-picked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

Opera and Ballet

LONDON

Opera Factory: London Sinfonietta at the Queen Elizabeth Hall (928 3191). Adventures, comprising Maxwell Davies' Eight Songs for a Mad King, Ligeti's Aventures/Aventures Nouvelles and Weill's Mahagonny Songspiel alternates with Gluck's Iphigenias.

NEW YORK

New York City Opera: Die Zauberflöte conducted by Sergio Comissiona and Madame Butterfly conducted by Imre Pallo highlight a week that also includes performances of Le Nozze di Figaro. Lincoln Center (870 5570)

Jakob's Pillow Dance Festival: Summerlong work and performance schedule in the Berkshires features recitals this week by members of the New York City Ballet (Tue-Thur). Becket, MA (413) 243 0745.

WASHINGTON

Wolf Trap: San Francisco Ballet performs works by Balanchine, Tomasson and Paul Taylor to music by Tchaikovsky, Poulenc and Elgar. Vienna, Va. (703 255 1868)

CHICAGO

Ravinia Festival: Hubbard Street Dance Festival, a local Chicago favourite, performs mixed programmes (Thur). Highland Park (728 4842)

FINANCIAL TIMES

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Wednesday August 19 1987

The illusion of liquidity

THIS WEEK securities prices in London have fluctuated wildly on the basis of unfounded rumours about a rights issue from Standard Chartered. The value that the stock market puts on Unilever, a multinational giant of some solidity, shrank by eight per cent in one day on the announcement of a single quarter's relatively unexciting figures. There has been unsettling gossip about securities firms running into financial difficulty. In all, a less than happy postscript to the structural reforms associated with last year's Big Bang.

The case for liberalising the Stock Exchange rested heavily on the notion that London's position as an international financial centre would be eroded if its domestic securities market operated in isolation from the fast growing international securities markets. It was assumed in the Bank of England and the Department of Trade and Industry that investors could only benefit from the process of introducing fresh capital and greater competition into the securities business, because they would enjoy lower dealing costs and increased liquidity

Pious hope

Over the past fortnight this has turned out to be a pious hope, especially in the light of the market's over-reaction to the Chancellor's decision to raise interest rates. This move, as we remarked at the time, was no more than a prudent and timely piece of sound monetary housekeeping. Yet it precipitated an absurdly dizzy market plunge, which was promptly followed by a ruefully penitent correction. Dealers, meantime, responded by refusing to answer the phone when investors wanted to sell onto a falling market. In short, the market is more liquid only when prices are going up. What is going wrong?

It is, of course, possible to over-romanticise the old dealing system. Institutional investors were rarely able to deal effectively when markets were on the turn. But at least a jobber on the Stock Exchange floor was obliged to fulfil his obligation under the rules of the club to deal. And the three or four large firms of jobbers would occasionally take differing views of a given stock.

Competition, new technology and a change of nomenclature have combined to turn the jobbers into market-making sheep. Having incurred huge overheads in preparation for the brave new world and seen their margins cut to ribbons, they have inevitably become more risk-averse. Much of the increase in dealing activity since the Big Bang simply reflects dealing between the market makers: and many of the biggest swings in prices have taken place when outside investors have been showing minimal interest.

Biggest worry

The new-style market has already claimed victims, the most notable being the two big clearing banks Midland and Lloyds, which have cut back on market making in their securities subsidiaries. But it would surprise no one in the City if there is worse trouble before long. And there must be some concern about the ability of the new securities regulatory system to cope, particularly where its capital adequacy rules assume a measure of liquidity when prices are falling. The Securities and Investment Board, for example, has tailored its risk capital requirements for perpetual floating rate notes as if they were quite exceptional within the system. Yet they may turn out simply to be the market where illliquidity set in first. Much of the data on which the rules have been based relate to price movements since 1980 when markets have been in a bull phase.

The biggest worry of the moment, however, remains the settlement system. And since back office trouble was widely forecast before the Big Bang, it scarcely reflects well on the Stock Exchange authorities or the practitioners who are now bogged down in a clerical morass. It is a curious securities system that cannot deliver a share certificate to the customer, let alone offer genuine liquidity. But that may be an inevitable result of a reform in which the consumer had much less say than producers and regulators.

Israel's costly new fighter

AN AGONISING debate is unfolding in Israel over the future of the country's most prestigious and extravagant industrial project: the $8.5bn plan to build an advanced ground-attack fighter aircraft, the so-called Lavi.

The Israeli cabinet has met seven times in recent months on the subject without being able to decide whether to proceed or to scrap it.

In effect, the Lavi - Hebrew for lion—has become the second main issue on which Israel's national unity Government is politically paralysed, following its failure to agree on proposals from Mr Shimon Peres, the Foreign Minister, for an international peace conference on the Middle East.

Yet in its own way, the aircraft issue has implications which are scarcely less important for the future of Israel's economy and national security, for the Lavi has become a drain on military spending which the country can ill-afford. The debate over Israel's need for the aircraft—manufactured by the largely government-owned Israel Aircraft Industries—has also become a major irritant in its relations with the US, its principal financial and political supporter.

Generous quantities

Some $1.5bn of largely US money has been spent on the Lavi in the last decade or so, and the Israeli Government reckons conservatively that to keep it going it will have to use $550m a year of the $1.8bn US military aid allocation to Israel. But the scope and costs of the project have changed significantly since its inception. Originally conceived as a small and flexible aircraft with promising export prospects, the Lavi has come to be seen as a product of uniquely Israeli sophistication, and in part as a vehicle for the development of Israeli high-technology. In the process, it has also gained formidable array of opponents.

The US has since last year been exertiing steadily increasing pressure on Jerusalem to drop the project. The Pentagon says the Lavi has run seriously over budget, and that its "fly-away" cost may now be as high as $22m per aircraft compared with the estimate of between $15.5m and $16.5m per aircraft supplied by the manufacturer. The view in Washington is that if it is not stopped, the Lavi will eat up a larger and larger proportion of US aid—which Israel already receives in far more generous quantities than any other US ally.

Israel's military establishment has also come out firmly in favour of ditching the Lavi, on the grounds that the airforce can buy US aircraft such as the General Dynamics F-16 a good deal more cheaply.

For all this advice, top politicians such as Mr Peres, Mr Yitzhak Shamir, the Prime Minister, and Mr Yitzhak Rabin, Defence Minister, seem unable or unwilling to bite the bullet. With an election due to be held some time between now and October 1988, they have on eye to the estimated 5,000 jobs which hinge on the project, and the significant amount of national prestige now pinned to it.

Best guarantees

There is also a deep-seated Israeli neurosis about the reliability of foreign weapons suppliers, reaching back to France's embargo on arms sales to Israel during the 1967 Arab-Israeli war. This may well be misplaced. Although South Africa has responded to an international ban on weapons sales by developing a big indigenous arms industry, Israel is hardly in the same position.

Perhaps the most powerful argument of those who believe they are wrong, however, lies in the economic field. Israel has made considerable strides in putting its house in order in recent years after the nightmare of runaway inflation it experienced in the early years of this decade. A significant part of this effort has consisted in reducing the defence budget as a proportion of overall public spending. As Mr Moshe Nissim, the Israeli Finance Minister, has been warning in recent weeks, a decision to proceed with the Lavi could result in substantially higher taxes, and the beginning of a return to the bad old days.

The fact is that the Lavi offers no route to genuine military self-sufficiency for Israel. The country is already dependent to what some would call a debilitating extent on US military aid, and US technology has played a not insignificant role in the development of the fighter. One of the best guarantees of national security is a sound economy, and Israel should be very wary of jeopardising its progress in that regard by continuing with an over-ambitious military programme.

CHILE

The General very much in command

By Robert Graham

Gen. Pinochet: presiding over Latin America's best-managed economy.

POLITICAL jokes have an uncanny habit of being recycled in different countries. Those told about Franco's Spain are now being used in Chile, to refer to Gen Augusto Pinochet.

One of the most often heard has the 73-year-old Chilean military dictator, ailing in bed and being visited by members of the junta. "General," say the visitors, "we've come because the Chilean people wish to bid you a final farewell." Gen Pinochet perks up, then brightly replies: "Oh, so where are they going?"

Gen Pinochet will have been in power 14 years next month; and unpalatable though it may be for those wishing to see democracy in Chile, he looks as strong now as at any time since the overthrow of the populist government of the late Salvador Allende.

He has regained the initiative after the abortive attempt on his life last September and has exploited to the full the fact that its authors were members of the underground Communist organisation, the Manuel Rodriguez Patriotic Front.

He continues to outmanoeuvre a divided opposition. He has brazenly ridden out continuing criticism of the regime's abysmal human rights record and has seen that the US, despite loud condemnation of Chile over human rights, is not willing to veto international loans because this might undermine the country's economy.

On the economic front the regime is buoyed by a strong recovery, increased foreign investment and the plaudits of the international financial community.

Chile has the best managed economy in Latin America and is scrupulously complying with obligations on its $19.9bn foreign debt. By the end of the year Chile will have converted $2.5bn-worth of debt, mostly in innovative debt equity swaps.

The mood in Chile is one of repressed stability. "Many people want to see Pinochet go, but they don't want other changes," says Mr Jorge Edwards, novelist and one of the organisers of the campaign for direct elections to the presidency. "The same people who don't want Pinochet are afraid that without him there might be real changes, so the status quo continues."

Reluctant acceptance of the present state of affairs is confirmed by what the influential military and business community see happening in other Latin American countries. They watch the nationalisation of banks in Peru, the collapse of the cruzado in Brazil, the tense relations between civil and military authority in Argentina, and wonder whether things under Gen Pinochet are really as bad as all that.

Protest has died down since the high point of 1983. It was badly organised and has been brutally repressed. The kind of sustained commitment to protest shown in South Korea has been lacking in Chile.

Gen Pinochet seems to enjoy the active support of about 10 per cent of the population and the passive support of perhaps 20 per cent. This, coupled with the continued backing of the armed forces, gives him considerable political scope to impose his vision—at times he claims to be inspired by God—of a "protected democracy."

Apathy and distrust of political parties is general. Only 1.2m out of a possible 7m have registered as voters

In the short term, political developments hinge on the issue of a presidential election due by 1989. According to the 1980 constitution a plebiscite has to be held no later than February 1989 on a single presidential candidate selected by the four commanders-in-chief of the armed services.

If these officers fail to agree, then the National Council, composed of the military commanders and selected officials, must choose the candidates.

The candidate must gain a majority vote. If not, open elections will be hold within a year. Since Gen Pinochet appoints those who select the candidates, he will inevitably influence the choice, if not dictate it.

Two main possibilities are being discussed. The first has Gen Pinochet declaring, with the minimum of notice, that he will stand as the sole candidate. The second envisages a civilian candidate standing, approved by Gen Pinochet, but with the latter retaining his powerful position as commander-in-chief of the armed forces. Either way he will be in a position to direct events.

The General is now energetically touring the country in what looks remarkably like a presidential campaign. Last month he reshuffled his Cabinet—a move seen by observers as the last major change before the election.

The junta, however, has voiced doubts about the wisdom of backing Gen Pinochet's candidature. The presidential term is for a further eight years, which would mean in effect a life tenure. But the army member of the junta is fully behind the general and the army is the most important service in the armed forces.

In preparation for the plebiscite the Government has reopened the electoral registers and introduced legislation permitting selective legality of political parties. Still illegal are those with Marxist-orientated patforms. This excludes a spectrum from the traditional Chilean Socialist Party to the Communists and their underground arm, the Manuel Rodriguez Patriotic Front.

Together the excluded parties account for between a quarter and a third of the electorate, according to reliable opinion. The Communist Party, the largest in Latin America, opposes registration of voters, though with some internal dissension. The Communists argue that registration is collaborating in the perpetuation of the regime.

The remaining opposition parties are actively canvassing people to register. They believe high registration encourages the prospect of a majority "no" vote for an officially selected single presidential candidate.

But so far only 1.2m have registered since January, out of a potential electorate of up to 7m. This is despite publicity and support from the Catholic Church hierarchy, following the Pope's visit to Chile in April.

Such limited registration, indicates the general sense of apathy and the distance between the electorate and the political parties which has grown since 1973, when their activities were banned. One of the principle reasons behind the recently initiated campaign for direct elections is to combat the apathy and overcome the distruct of political parties.

However, the campaign cannot exist in isolation and needs the support of the political parties. These are divided into two broad fronts—as they have been for more than four years.

The right, centre and centre-left is grouped in the Democratic Alliance, which contains former Pinochet supporters through to moderate Socialists. It is dominated by the Christian Democrats. The left under the banner of the United Left is dominated by the Communist Party whose leadership is based in Moscow.

The basic defference is that the Democratic Alliance believes in a peaceful and negotiated transition to democracy, while the United Left believes the Pinochet regime intends to remain in power indefinitely and cannot be trusted to negotiate its own demise.

The Communist Party thus refuses to dissociate itself from armed struggle and the activities of the Manuel Rodriguez Patriotic Front. The latter, though less active this year, continues to carry out sabotage and attack members of the military establishment. It has also not denied its involvement in the import of a large quantity of weapons—sufficient to equip 3,500 people—found by the authorities buried in the northern Chilean desert a year ago.

The violence of the guerrilla movement has provided the regime with considerable propaganda and the Government has every interest in widening divisions between the left and more moderate centre and right.

In this climate it is not surprising that elections this month for the leadership of the Christian Democrat Party, have seen the triumph of Mr Patricio Alwyn, who was sponsored by the party's conservative wing. An experienced politician, he is a man with whom the regime can establish a dialogue. On the other hand, he has been scornful of the possibilities of a dialogue with the left.

The Government has made some effort to liberalise since its unpopular repression last year, resulting from the assassination attempt on Gen Pinochet.

More often than not it has been a carrot-and-stick approach. The state of siege was revoked in January, but the state of emergency remains, with widescale emergency powers and use of military courts.

A new independent newspaper, Epoca, has been permitted to publish, gaining a readership of over 50,000. But it has just suffered, along with three other publications, a heavy fine for printing a statement by the Communist Party.

As a warning to those contemplating armed violence, 12 members of the Manual Rodrigez Patriotic Front were killed in just 24 hours in May. Initially the Government claimed there had been shoot-outs with the security forces, but subsequent investigation and post-mortem examinations proved the dead were killed at close quarters and probably without resistance.

Meanwhile nothing has been done to improve the administration of justice. Progress in the case of two youths burnt with petrol after being dowsed by a military patrol last year has been "glacial," according to the US State Department.

The incident, in which one of the youths died, shocked Chilean public opinion. But it is eloquent testimony to the regime's sense of its own powers and accountability that so little effort has been made to ensure that some sort of justice is seen to be done in this case.

Gen Pinochet seems to be calculating on his fellow countrymen's political apathy, selective repression and the benefits of economic recovery, to defeat opposition.

The economy this year is growing at over 5.5 per cent and has finally caught up with production levels prior to the 1982-83 economic collapse. All the indicators suggest that the recovery is soundly based. Unemployment continues to fall and is now down to 12 per cent with a further 3 per cent in make-work schemes.

The Government has sufficient funds to expand job training schemes and increase investment without too much overheating. Recent agreements with Chile's international creditors have ensured that there will be sufficient funds available from abroad to cover expected current account deficits over the next three years.

Despite the apparent solidity of the regime it has yet to indicate clearly how it intends to solve the overridingly important question of the succession to Gen Pinochet, or indeed his continuance in power beyond 1989.

In this respect economic results are not enough. As Mr Elliott Abrams, the US Assistant Secretary of State, told Congress last month: "Even the best economic programme must have a sound basis of political legitimacy if it is to endure and weather in the long run."

Men and Matters

Old style in New England

With a little bit of help from modern construction techniques, 500 years of English history is going to be re-created in six months. Old England is going to arrive in New England in the shape of a new village.

The Egerton Trust starts work next month at Mashpee, Cape Cod, on the creation of an English village. In the meantime it will be sending somebody along to a British Telecom auction to buy a couple of red telephone boxes.

It also intends to get red pillar boxes from the Post Office. But it will have to sow the village green and dig the traditional duckpond itself.

The company knows about this sort of thing. It has some residential developments near Stratford-on-Avon and Mashpee is going to be based on a typical Warwickshire village: "Heavily timbered houses where everything has a different roof level," says Nick Sanderson, an Egerton director.

Egerton is seeking variety, "the sort of village that has evolved over 500 years," with the village green as the centre, and a High Street leading to what the planners call lower density housing. But, says Sanderson, "we must be careful not to make a pastiche."

One thing Egerton will not be doing is recreating the English interior. Old England stops at the front door of each of the 172 houses. Americans have their own standards of internal convenience.

"Of course we're not breaking totally new ground," Sanderson notes. "Most of Cape Cod was settled by us in the first place."

This particular re-settlement is going to cost between $170,000 and $260,000 a house—which would have been rather beyond the pockets of the first settlers.

Carey hazed

When Hawley Group tripped off the takeover alarm bells on Monday with its unexpected $835m offer for ADT, the US security services group's chairman and chief executive was unable to respond promptly to the attempted break-in.

Raymond Carey was fog-bound on Nantucket, the small island off the Massachusetts coast where he has a weekend home. Yesterday he finally managed to rejoin the rest of his board at Parsippany, New Jersey, and was saying little ahead of an ordinary board meeting with a decidedly extra-ordinary agenda.

If it comes to battle with Hawley and its advisory battalions of First Boston and Barclays de Zoete Wedd, ADT has the heavyweight support of Goldman Sachs, the US investment bank whose former co-chairman, John Whitehead, spent more than a decade on the ADT board before moving to his present position as US deputy secretary of state.

Counter-jumping

An Australian branch of the Bank of England? Well, that's an adventurous idea.

I have been sent a copy of an advertisement recently carried by the Australian Financial Review which declares firmly in a huge typeface "The Bank of England Now in Sydney."

Only on reading some extremely small print below did I learn that a company called Document Security of Sydney was taking space to proclaim that it is as safe as the Old Lady herself.

Says Trademark World in mixed shock and admiration, in a comment on the case, "So far as trading unfairly on another's reputation is concerned, this advertisement has few equals."

Wider horizon

The spirited attempts by Harry Goodman, the ebullient chairman of the International Leisure Group, to block the British Airways-British Caledonian merger may have caused him to take his eye temporarily off the ball in the fiercely competitive package holiday market.

Goodman's Intasun package holiday company — which ranks number two in the market behind the giant Thomson Travel business — found its market position being threatened yesterday by the Bass Group's Horizon Holiday operation.

Horizon, which was acquired by Bass earlier this year, was a long way behind Intasun in the holiday market with about a 10 per cent market share compared to Intasun's slice of just over 20 per cent.

But Horizon's acquisition of the Wings, OSL, and Blue Sky holiday companies from the Rank Organisation yesterday, adds another 4 per cent to its share stake.

A further irony is that Wings only last year acquired the Blue Sky travel company from BCal, after Goodman had failed in his own merger bid with the troubled BCal airline.

Talking point

While reference to "the balcony scene" conjures up thoughts of Romeo and Juliet in the minds of many of us, to Quebecers it recalls the political passions unleashed by the French president, de Gaulle, when he visited Canada 20 years ago.

With just four words "Vive le Quebec libre" spoken from a small balcony at Montreal's city hall to the large crowd below he sent shock waves across the country.

He provided a rallying point for the Canadian separatists and opened a rift between France and Canada which was finally bridged only this year with the state visit by President Mitterrand.

But what of the balcony? After de Gaulle had spoken the mayor of Montreal, Jean Drapeau, declared it "off-limits." And it remained closed until he retired last year.

"No one dare use it for 20 years. It was taboo. Only the window cleaner went on it," says Alain Leclere, a city official.

The new city administration has just re-opened the balcony. But, budding orators should be warned. It is not to be used for official ceremonies or speeches.

Supreme test

Overheard at a Newmarket garden party: "So the doctor said: 'I'm sorry old chap, I've done everything I can for you—I can only suggest that you go to Lourdes.' But he knows I can't stand cricket."

Observer

The centre strikes back

David Thomas talks to Sir George Jefferson of British Telecom

● Sir George: believed a row was likely

SIR GEORGE JEFFERSON, chairman of British Telecom, believes a row about BT's quality of service was always likely during the early days of privatisation. "It was obvious that there was a potentially high-risk situation in the first three or four years of privatisation," he says in his office over Paul's Cathedral.

Expectations had been raised unrealistically during the privatisation process about the speed with which BT could improve itself; whereas in reality BT had inherited "a rundown system with a great deal of equipment that was very old." Combined with an unexpected increase in demand and a national strike, this has been enough to make BT public whipping boy number one.

Although he has passed the chief executive's baton to Iain Valance, Sir George stepped in when the criticism built up: "I really did need to get into harness and to assist my colleagues in coping with the problems."

Yet Sir George, an engineer who spent many years in senior posts at British Aerospace before taking BT's top job, refers repeatedly to the company's modernisation programme as both his main priority—investment is running at 30 per cent a year above pre-privatisation levels—and as inevitably taking time to work through.

This raises the question of whether BT has cared too much about the number of System X exchanges installed and not enough about the quality of customer service. Other large service companies, such as British Airways, have tackled reputations for dismal service through large training programmes.

Sir George says that BT has pushed thousands of its own front-line staff through training in customer care over the past 18 months, yet he acknowledges that BT could have gone down this road earlier and adds that in an organisation of its size. "It is not always possible to obtain a uniformly good standard."

Sir George believes that comparing BT with British Airways is unfair, because the airline is much smaller and did not have a backlog of obsolete equipment. However, BT has tried to learn from other telecoms operators, particularly in the US.

He argues that the attitude of BT's staff is gradually changing, though the unions' hope before the election that an incoming Labour government would return the company to public ownership slowed down the process.

But he adds: "There is still some degree of weakness in some individuals who don't necessarily understand yet the difference in terms of personal accountability for their or their immediate juniors' performance."

Sir George also accepts that the company has not yet got right the balance of authority between its different levels. BT, previously highly centralised, pushed more responsibility out to districts after privatisation.

The BT chairman says decentralisation brought both problems and benefits: "There is the disadvantage that not necessarily all units are as able as each other and you then tend to get a degree of variation in the quality of the performance of different units and different managers."

Sir George, while emphasising he does not want to dampen initiative, envisages a swing back to the centre: "There will be a need over the next year or two to have stronger oversight over the performance of the individual units."

He also argues that some of BT's unpopularity is the result of the public's inability to accept commercial company status. "There are still a good many bodies and people who would see BT as part of the social security system."

In Sir George's view, as a private company subject to both regulation and competition, BT has had to bring its charges into line with its costs. This has meant changes which it knew would be unpopular, such as the increase in local call charges and decrease in long-distance rates.

It also explains decisions to introduce charges for previously free services, such as directory inquiries. Sir George argues that it is fair to allocate the heavy costs — 10,000 staff work on directory inquiries—to those customers, often themselves commercial organisations, who use them most.

He believes that the regulatory framework is working well, particularly as Britain had to invent it, and he argues that the powers, staff and information available to the Office of Telecommunications has put BT under considerable pressure.

"It is immensely more onerous than anything that happened to us under the nationalised industry regime," he says.

BT hopes that, in the longer term, competition through the market will replace the regulator, but Sir George says it is too early to judge whether the conditions will be right for substantially greater competition in the early 1990s. The Government is due to decide in 1990 whether to relax the duopoly of BT and Mercury Communications.

Sir George argues that the decision will turn on whether the Government believes Mercury is strong enough to withstand extra competition: "It is important to them—and quite frankly to us—that we have a credible and successful competitor."

He says BT needs strong competition both to keep its management on its toes and in service terms:
have been entirely sorry to see some of the strain in the City being taken by a competitor. The business of being a universal service provider is not without some disadvantages."

The BT chairman also expects greater pressure on his company in the form of a tougher pricing regime and the go-ahead for companies to lease private lines from BT to re-sell for voice traffic in the next few years.

Meanwhile, BT has not abandoned its wider ambitions to be the spearhead of Britain's effort in information technology abroad.

Sir George has been personally associated with this theme, but BT has recently appeared to be playing it down, apparently in reaction to the greater than expected difficulties in sorting out its core network.

"The basic theme remains correct," Sir George says, though he adds: "the whole of our business and what we do in other markets is very much dependent on us making a satisfactory job of the UK market."

On trial: the private prison

Alan Pike on whether Britain will take up an idea from the US

LORD CAITHNESS, Home Office Minister, is to make a fact-gathering tour of the US next month which may lead to American-style private prisons being established in Britain.

Many of Britain's existing prisons are hardly monuments to a caring state. Overcrowding and poor sanitation are rife, so that enduring prison conditions is often as much part of an inmate's punishment as loss of liberty. Any alternative to the status quo might well seem worth a try.

Yet a government decision to experiment with private prisons is certain to provoke an outcry.

The Commons Home Affairs Committee (of the last Parliament) also undertook the tour. By dint of its Conservative majority (with Labour members dissenting), it produced a report favouring a Home Office experiment with private prisons.

It is a term which the Home Affairs Committee plays down in its reports, preferring to talk of contract provision. The committee stresses that it is not advocating a private organisation answerable only to its shareholders and subject to market competition.

What it does envisage are private companies providing facilities under contract to the Government, with the public authorities maintaining inspection rights and the ability to cancel contracts for any breach of standards.

The practical argument in favour of private involvement, says the committee, is demonstrated by the state system's failure to overcome the problems of out-of-date and overcrowded prisons. Private contractors should be allowed to operate alongside the existing system—beginning on an experimental basis.

Mr Stephen Shaw, director of the Prison Reform Trust, believes there are objections to private prisons in both principle and practice. "Modern democratic states have not treated law and order as something to be contracted out and, only a couple of years ago, this whole idea would have seemed something of a joke.

"Private organisations which ran prisons would have to become involved in decisions about parole, discipline and remission of sentence and there are dangers of abuse.

"Proponents of privatisation have hyped-up the US experience. Not a single high-security federal or state prison in the US is privatised. We are talking about a small number of local or county jails, plus establishments like illegal immigrant facilities."

Yet experience of these US institutions will have a significant impact in determining whether Britain turns to private prisons. The Adam Smith Institute, a market economics think tank, has been influential in turning the possibility of privatised prisons in Britain from a fringe idea to a serious policy issue.

Mr Peter Young, who produced research on the US experience for the institute earlier this year, argues that British prisons share common characteristics with other public-sector institutions which are immune from competition —"inadequate supply, low quality and high cost."

He contends that privatisation and contract management of prisons in the US has led to cost savings of between 5 and 25 per cent and the building of new facilities in months rather than many years.

At the same time, says Young, private prisons have brought benefits for their inmates in the form of relief from overcrowding, better food and medical care, enhanced opportunities for recreation and the encouragement of self-respect.

An incentive to improve the system may have been the fact that American prisoners can sue the public authorities over unsatisfactory confinement conditions.

One Home Affairs Committee member who visited the US — Mr John Wheeler, Conservative MP for Westminster North and a former prison governor — says he believes that enforceable contracts between the state and private providers offer a stronger form of accountability than the conventional system.

The first involvement of the private sector, says Mr Wheeler, should be in helping to improve the conditions of overcrowding in which many remand prisoners — citizens awaiting trial who may not be found guilty — are held. The problem is particularly acute in London.

"If the Government gave approval for contract management, the private sector could take over a tower block and have new remand facilities open within six months."

Representatives of the Prison Officers' Association, like the Home Affairs Committee, also visited private prisons in the US. They returned unhappy about standards of supervision and staff training.

The Howard League for Penal Reform, which takes its name from John Howard, an 18th-century campaigner against an earlier generation of private prisons, is also vigorously opposed to the privatisation of prison management.

Contract management, it says, could give private companies undue political influence in criminal justice policy formulation. It could also lead to even lower standards in prisons while failing to save the taxpayer money.

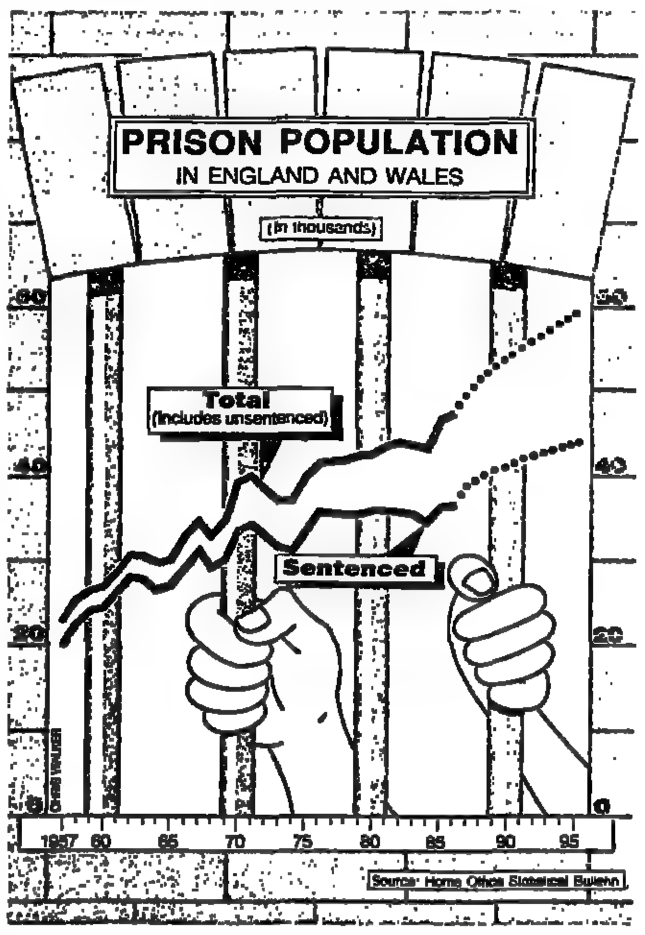
The league does not accept that there should be no moral objection to private prisons provided they operate under state contracts. People are imprisoned in the name of the sovereign, it says, and the justice system must remain directly answerable to parliament.

Last month the Home Secretary, Mr Douglas Hurd, announced the establishment of a new Prison Buildings Board within the Home Office to supervise the Government's extensive building programme. It will, in the Home Secretary's words, contain a "strong outsider element" and "exploit to the full private sector techniques in bringing new prisons on stream."

This is unlikely to be the last word on private sector involvement in the prison service during the current parliament. When he goes to the US, Lord Caithness will see that the contract management of prisons is not the only form of private sector activity in the penal system. Far more common, and less controversial, is the private provision of medical, catering and other services.

At least 41 states in the US use private contractors to provide these types of service, which are part of the public prison system in Britain. In some states private companies also employ inmates in prison industries while in Florida, PRIDE (Prison Rehabilitative Industries and Diversified Enterprises), a non-profit-making organisation, operates all prison industries. Most of its products are sold to the public sector rather than on the open market.

A cautious next step would be for the Government to open up services in British prisons to outside contractors. But if it goes no further and fails to hand over the keys to the private sector for a full-blooded experiment in contract management, it will face disappointment and continuing pressure from within its own ranks.



Letters to the Editor

New Bulldog issues

From the Chairman, Bulldog Sub-committee, Gilt-Edged Market Makers' Association.

Sir, — Clare Pearson (August 14) writes about the "Demise of the £3.5bn Bulldog market." The article, which raised several interesting points, unfortunately fails to complete the picture.

There is a dearth of new issue activity in all long-term sterling markets. The lack of new Bulldog issues is not due to overseas governments and agencies choosing the long-term Eurosterling route, as Miss Pearson suggests. There has only been one issues in the long-term sterling markets by a foreign borrower since June 1986. The reasons for this are varied; primarily the level of domestic interest rates compared to those around the globe, specifically in the US.

High yields in the domestic debenture market (mainly property companies and investment trusts) has attracted considerable retail demand and new issue volume. Domestic investors switched their attention towards this area of the market. Overseas investors tend to buy into sterling via Eurobonds. Domestic investors, however, have a far greater menu of bonds to choose from. It may have been this consideration which prompted the World Bank to choose the long Eurosterling route—targeting the "pre-election" overseas buyer rather than the domestic bond investor, who at that time had his sights firmly on attractively priced debenture issues.

Despite some contractions in market-making capacity, ("there are, incidently, many more market makers than the four main ones you mention) liquidity in the Bulldog market is not a problem. Indeed it has improved considerably since Big Bang. The average size of issue traded is some £70m and the market in the majority of issues is in £1m nominal on ⅛ point quote. This compares very favourably with other non-government bond markets.

Miss Pearson then considers the practicality of running two long-term sterling debt markets in parallel. Although it is widely accepted that issuing techniques are faster and simpler in the Eurosterling market, which unlike the Bulldog market does not rely on the speed of response from large numbers or retail investors, is it really a positive feature of the Eurosterling market that "the UK investing public have less say over the form bonds take"? It is important to remember that primary markets need end retail investors — isolate the investor and the market disappears.

As we have all witnessed only too well recently, market conditions can change very quickly indeed. The window of opportunity in the Eurosterling market may not always be there. The Bulldog market is dominated by the large UK institutions, which have long-term liabilities to match each year. The real "acid test" for a regular overseas borrower in the long-term sterling markets is which method of issuance is likely to prove the most durable in all market conditions. The stability of the Bulldog market, and the willingness of the investors to take up a correctly-priced new issue, offer borrowers more opportunity for interest rate windows in the long-term sterling markets.

The demise of the Bulldog market? Rumours of its death have been greatly exaggerated.

T. M. Dobbie,
c/o The Stock Exchange EC2.

Smoking pistols needed

From Mr M. Lever

Sir,—The report (August 17) by Michael Skapinker, that the Advertising Standards Authority is to investigate a British Rail poster concerning its treatment of complaints, quotes BR's comment "The area management couldn't be available to answer every query."

Apart from there being a wide difference between a "query" and a "complaint," the administration should not in fact be handled by a level as low as an area manager, but, in my opinion, by the managing director or chief executive. By delegating complaints to a special "department" it is my contention that companies generally lose out on a superb opportunity for senior management strategy to be in a stronger position to correct operating imperfections. Anyone who has had cause to complain will appreciate how rare it is for top management to take a blind bit of interest! Indeed, this indifference is an excellent recommendation not to do business with the company, or in this case, to travel on British Rail.

Michael Lever.
43, Buck Lane, NW9.

Employers and the young

From Mr A. Berry

Sir,—A 17-year-old daughter of a friend has just lost her job.

This girl was given a training job as part of one of the MSC schemes. She did well, impressed her employers and was later given full time employment. Now some four months later she has been told that this retail firm is no longer going to employ her on a full time basis. Instead it is prepared to offer this girl part time employment, with of course, much more limited conditions of employment, at about 20 hours a week.

The employer may have some justification but from the perspective of the youngster they appear to be arbitrary, callous and indifferent to her as a human being.

This seems to be part of a process within which additional part time jobs are created at the expense of full time jobs; this may help the unemployment statistics. But it is also a process which is causing one youngster to react to what she sees as cynical exploitation of her and of her female colleagues.

I wonder why it is, in an era of sustained growth in retail sales, that the moral responsibility of a society to its youngsters should be shown to be so empty.

Anthony J. Berry.
24 Leafield Road,
Disley,
Stockport, Cheshire.

Suitable case for listing

From Ruth Ibbetson

Sir,—As a former pupil of Sir Albert Richardson it was with relief and pleasure that I read (August 14) that your building has been suitably listed.

I recently drove up Ludgate Hill and through your area on a quiet Sunday afternoon and felt the full impact of the damage done to one's enjoyment of looking at St Paul's.

The only building that showed proper respect as to quality of design, size, detail, and materials was Bracken House.

Ruth Ibbetson.
Rose Hill Cottage,
Rose Hill,
Burnham, Bucks.

Brynmawr came first

From the Chairman Architects Co-Partnership

Sir,—I am afraid that your claim (August 14) that Bracken House has won the first listing for a post-war building is incorrect. That honour went to the Brynmawr Rubber Factory in Wales designed by this partnership with Ove Arup & Partners as structural engineers and built during the early post-war years.

From the front of Bracken House you can see St Paul's Choir School, another of our buildings, which we hope will not be threatened by any proposals for the area

Philip Groves,
Northaw House,
Potters Bar, Herts.

Business rates

From the Leader of the Council, City of Westminster

Sir, — The Government has been driven to nationalise the business rate to protect industry and commerce from high spending local councils. Commerce and industry certainly do need that protection in many areas.

The uniform business rate is an insensitive way to achieve it. It takes away the freedom of local authorities to set a low rate to attract jobs to their area. It removes the incentive to provide services to local commerce and industry. It undermines the developing dialogue between the two. Indeed, a little publicised Government consultation paper proposes to scrap the duty of consultation.

You report (August 13) that the Government has also decided to remove the one connection which remained: the ability of a local authority to take up to 5 per cent of the product of the local business rate for its own purposes. This would have provided the necessary connection and justification for special local services to serve the commercial and business sector.

In cities with high day-time populations, tourist and office workers alike, the loss is fundamental.

Lady Porter,
City Hall,
Victoria Street, SW1.

Diversity of television

From the Controller of Programmes, Cable Authority

Sir,—Dr Barwise and Professor Ehrenberg (August 12) seem to have fallen into the same trap that they have accused Samuel Brittan of when they draw their analogy between the present system of television broadcasting and the supply of newspapers. It is totally wrong to suggest that our present system is akin to the consumer paying one fee for any newspapers they want—it is more a case of offering a choice between Pravda and Isvestia. Two television channels supplied by the BBC and two channels answerable to the IBA is hardly equal to the variety of privately-owned national, regional and local newspapers.

The analogy only applies once the choice and diversity of subscription television is offered to the consumer from local, regional, national and international sources via cable television.

Tony Currie.
38-44 Gillingham Street, SW1.

FINANCIAL TIMES

Wednesday August 19 1987

Ø

Jayawardene survives assassination attempt

Junius Jayawardene: 'Evil forces'

BY MERVYN DE SILVA IN COLOMBO

THE SRI Lankan President, Mr Junius Jayawardene, narrowly *survived an assassination attempt* yesterday morning, when a shot was fired and two hand grenades were thrown inside the heavily-guarded Parliament House.

The attack took place an hour before Parliament was scheduled to meet for the first time since Mr Jayawardene signed a *controversial peace accord* on July 30 with Mr Rajiv Gandhi, the Indian Prime Minister, aimed at reducing tensions among the island's minority Tamil population.

The hand grenades were thrown in the President's direc*tion as he chaired a meeting of* the Government Parliamentary group. A junior minister was killed and several others were injured but Mr Jayawardene *was not hurt.*

The attackers were not immediately apprehended.

Mr Keerthi Abeywickrema, the district minister for Matara, *in the south of the island,* died in hospital. Others badly injured included Mr Lalith Athlathmudali, the Minister for National Security and a main *contender in the leadership* succession stakes.

Mr Ranasinghe Premadasa, the Prime Minister, who was sitting next to the President, was slightly injured.

In a televised broadcast a few hours later Mr Jayawardene said that "southern terrorists" - a reference to the Janath Vimukthi, or Peoples Liberation Front, which is Sinhalese dominated - were continuing their activities, *while the northern* Tamil rebels were surrendering their arms.

Only this morning the President had been cheered by the *news that the Tamil Tigers,* the most powerful Tamil guerrilla group, had finally announced that they would surrender all their weapons to the Indian peace-keeping force.

Mr Jayawardene did not mention the peace accord, but stated very firmly that he would carry on with the work he had undertaken. *"Evil forces had* ganged up to destroy democracy," he said.

Striking a nonchalant tone, the 81-year-old President said that *his* blood-marked shirt would be kept among his souvenirs.

However, there is little doubt that the President's United National Party was severely shak*en by this daring, near-suicidal* attack.

Sinhalese anger, which exploded in the streets of Colombo and a dozen towns when the *accord was signed, has slightly* subsided after the surrender of arms and signs that the Tamil north and east were returning to normal. Yet the Sinhalese *mood remains sour.*

Facing sharply divided ranks in cabinet and party, Mr Jayawardene has used all the resources of his office and his per*sonal acumen to try and* reconcile differences.

He also appears to have silenced the Prime Minister, a fierce critic of the accord.

Indian MPs expressed shock and horror at the assassination attempt.

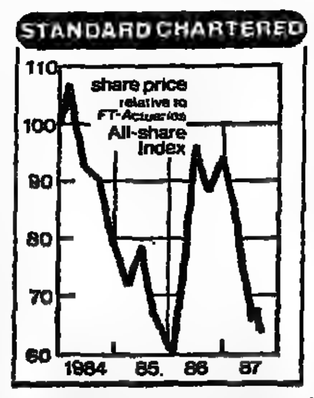
Background, Page 3

THE LEX COLUMN

Standard waives its rights

Standard Chartered has not yet earned the epithet of a "troubled" bank but unless *it mends* its ways smartly it could soon find itself following in the footsteps of such proud institutions as Bank of America and Mellon Bank.

Analysts tend to refer to the group in terms such as "underperforming" or "accident-prone", and yesterday's first half figures did nothing to dispel the market's dim view of the group's ability to restore its flagging fortunes. *It had hoped* to report a lower specific charge for loan losses, but some nasty surprises in its North American operations put paid to that and *led to a one fifth* drop in profits before tax and exceptional items to £105m. The group never seems to be able to get enough of its businesses doing well at the same time *to lift* it off its five year earnings plateau.



Throw in a relatively unconservative £400m charge to top up the provisions for Third World debt and a £71m exceptional profit on the sale of some Tokyo real estate, and the group reported a first half loss of £272m *and a one third drop in* net asset value to around 555p per share.

Even before yesterday's figures Standard Chartered *looked in need of a capital injection,* and an equity to assets ratio of 3 per cent - versus 4.5 per cent a year ago - is a third below that of the worst capital*ised of the Big Four UK* clearing banks.

The bank took the unusual step of saying yesterday that it had no plans for a rights issue, *but the shares recouped less* than half of Monday's heavy losses. There are still plenty of assets which can be sold but management has yet to prove that *it deserves to* be left undisturbed by the predators.

Guinness Peat

*The short-lived friendship be*tween Guinness Peat and its largest shareholder, Equiticorp Holdings, was always rather a strained affair. Despite the usu*al protestations to the contrary* Equiticorp appeared to be merely the latest Antipodean arbitrageur attracted by the "fees" available for starting auc*tions in the UK financial ser*vices industry. Indeed the apparent shallowness of its pockets seemed to rule out a serious bid.

Yesterday's announcement that Equiticorp is contemplating a move over 30 per cent, and hence a full bid, was thus regarded as no more than a flush*ing out exercise aimed at a bid*der able to provide some real capital and management backing. *Undignified though it may* be for Guinness Peat to find itself put up for sale in such style, it would probably welcome a European sugar-daddy of the right calibre and at the right price. The trouble is, it is not *clear that one exists.* Aside from fund management - the only part that Equiticorp is really interested in - it is not an inviting company. So, this arbitrageur is taking a real risk for a change, particularly as the dividend is not covering carrying cost.

Markets

It says much for the equity market's mood that it could be pulled down yesterday by Wall Street's weakness *after spend*ing last week ignoring its strength. There is an air of drizzlingdepression in London which is only partly due to the *stock overhanging the market,* though that was not helped by Monday's £266m placing from Pilkington. The Jaguar and Standard Chartered figures, *with Unilever's the day before,* have also cast a shadow of doubt over the September results season, which was supposed to pick the market up by *reminding it of the strength of* corporate earnings.

Wall Street's early slump yesterday - down 60 points by London's close - was merely confirmation. The trouble there began with the dollar, suffering a delayed reaction to Friday's US trade figures and Monday's fall in the oil price back through $20. *The knock-on ef*fect through bonds to equities was natural enough, and though a case might now be made for a bout of dollar weakness, Wall Street *seemed to take the cor*rection in equities calmly enough.

No such stoicism in London, where the FT-SE100 index is *now back to the low point* reached after the recent base rate rise. Tomorrow's money supply and bank lending figures could be tricky, and the ru*mours of a market* maker in trouble still persist. Next week, at least, there are no big economic statistics; but to benefit from the break the market will *need a firmer tone from* Wall Street, and above all, no more calls for cash.

Jaguar

Jaguar has developed a habit *of disappointing* the market with its results, perhaps because of the chairman's perennial cheeriness. Yesterday the shares fell 23p to 562p on inter*im profits* well below *forecasts* at £45.7m, down a third. Launch costs for the XJ6 budgeted, until recently, at £9m turned out at £15m, which suggests either *poor management* information or that some other costs have been redefined as launch expenses. Other pre-tax deductions - notably depreciation, research and development - have risen sharply, although no more than expected.

Why, then, should the market be prepared to put much faith in the promised leap forward in 1988, having accepted that 1987 will be *another year of profit* decline? Production should certainly be moving ahead by nearly 15 per cent in 1988, while there is scope for pushing *prices up as well. Margins ought* to improve sharply as productivity rises. But Jaguar is still coming round from its currency hedging anaesthetic - the pain *is not yet as bad as it will be*come. The depreciation charge will be increasing by around £25m a year, which puts quite a brake on profit growth. And the *higher tax charge - 38 per cent* from here on compared with 31 per cent in 1986 - makes earnings gains even harder to achieve. So 1988 earnings *may be only a penny or two above* 1985's 48.5p a share. That gives a far distant multiple of over 11, which is surely discounting quite enough.

Victor Mallet reports on problems that affect Botswana's democracy

Growing pains of an African state

BOTSWANA'S capital Gaborone *has always been a sleepy* place, a modern version of a *one-horse town, and the most* interesting sight you see could be the prudish-looking secretary birds strutting across the arid surrounds of the airport *runway as they hunt for insects* and lizards.

A series of bizarre and violent incidents has, however, begun to inject a note of unease into one of Africa's rare multi-party democracies and economic suc*cesses which has* a population of just over 1m and a flourishing diamond industry.

Problems in the country this year include riots by students, the case of a witch-doctor involved in the abduction *of a five-year-old girl, and a Briton* convicted of trying to murder a South African anti-apartheid activist in a Gaborone hotel.

The presence of such a powerful and politically awkward neighbour as South Africa, a *short distance from Gaborone,* has long been a source of tension in Botswana, a former British protectorate, and will probably continue to cast a shadow for many years.

There have already been several *incidents this year.* Botswana accused the South African police of responsibility for a car bomb explosion in the capital in April which killed three people; the South Africans blamed the African National Congress (ANC), whose guerrillas sometimes pass through Botswana on their way to South Africa.

Like other countries in the region, Botswana has many roadblocks, in this case to discourage both South African agents and ANC guerrillas. The resulting frustrations were highlighted in May when a Briton, working for an engineering company, was shot dead in front *of* his family by a soldier near Francistown after an argument at one of the checkpoints.

Then there *is the case of* 30-year-old Mr Steve Burnett, a Briton jailed for five years for the attempted murder of Mr Ronald Watson, a well-known *white businessman, rugby play*er and opponent of the South African Government.

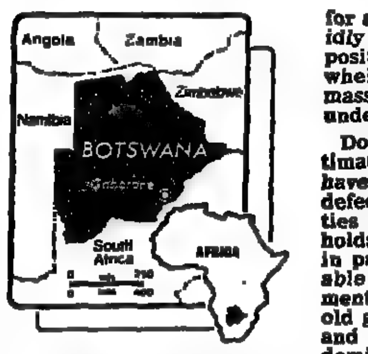
Mr Watson said Mr Burnett, who masqueraded as a British *agent, got into his hotel room in* Gaborone and tried to shoot him before being overpowered.

Perhaps more ominous for the longer term are the develop*ments in Botswana's domestic* politics and the growing con*frontations* between the ruling Botswana Democratic Party (BDP) and the left-wing opposi*tion, the Botswana National* Front (BNF).

Reports in March that a five-year-old girl had been abducted in a poor suburb of Gaborone by *a sangoma, or female witch-doc*tor, led to an unprecedented outbreak of rioting, out of all proportion to the original incident. The child was found unharmed, *but the sangoma's* house was burnt down and police used tear gas in an attempt to disperse crowds of youths attacking passing cars.

*The violence was partly attri*buted to Botswana's increasingly serious unemployment problem and to a belief among the crowds that the sangoma was a *supporter of the ruling BDP.*

The authorities, amid accusations that the BNF stirred up the trouble, have absolved the sangoma, charged a 16-year-old *girl with the kidnapping* and put on trial a journalist and a male witch-doctor for allegedly disseminating the accusations against the sangoma.



"Things are considerably hotter in Botswana than they've ever been before," said one Western diplomat.

He added the cautionary afterthought: "But then Botswana's level of tension is about zero as a general rule. The biggest *news is usually something like* the town council installing 10 new chairs."

BNF leaders - who incidentally run the city council in Gabo*rone - maintain that the Govern*ment's commitment to democracy will last only as long as it continues to win general elections. They have reacted *with outrage to suggestions* by some BDP members that BNF youths are being trained in Libya and the Soviet Union to overthrow the Government by *force,* an apparently unfounded accusation from which the Government has taken pains to distance itself.

"Some members of your group *seem to be a bunch of ignora*mus porcupines," declared BNF leader Dr Kenneth Koma in an open letter to President Quett Masire recently, urging him not to succumb to the temptation of banning the BNF.

"Such a policy would spell disaster for our country," said Dr Koma. "It is not an easy matter for a ruling party which is rap*idly losing support* to ban an opposition party that has the overwhelming support of the masses. We would definitely go underground."

Doubtless the BNF is overestimating its support. There *have, in fact, been a few recent* defections from opposition parties to the Government, which holds 28 of the 34 elected seats in parliament. But the BNF is *able to capitalise on unemploy*ment, public weariness with the old guard running the country, and resentment of expatriate domination of the economy.

On paper the economy *is ex*traordinarily healthy, despite the fact that nearly two-thirds of the population receive some form of food aid. A six-year *drought,* exacerbated by plagues of locusts and millions of marauding quelea birds, has led to successive crop failures.

Real economic growth is run*ning at about 10 per cent a year,* debt service is minimal, diamond exports are doing well and the country has a staggering two years of import cover in for*eign exchange reserves.*

But it remains difficult to find opportunities for investment or job creation in a country with such a small market and a nar*row economic base made up es*sentially of diamonds and 2m cattle.

With the population growing rapidly at about 3.6 per cent a *year and some 12,000 people en*tering the labour market annually, the resentment generated by rising unemployment poses a challenge to the moderate Botswana Government.

"Botswana is leaving its virginal state," said the head of one of the aid organisations working in the country. "It's becoming a *nation, with all the problems* and possibilities."

S Korean minister intervenes at Hyundai

By Richard Gourlay in Seoul

A SENIOR South Korean Government minister intervened yesterday to resolve a dispute involving 30,000 workers at Hyundai, one of the country's largest industrial groups, government-controlled television reported last night.

Mr Han Gin Hee, vice minister for labour, was sent to the strike-bound city of Ulsan to mediate in stoppages at six Hyundai companies as tens of thousands of strikers and their families marched in support of higher wages and the establishment of independent trade unions.

The television report said Hyundai management had agreed to recognise the workers' representative during negotiations, which has been the main sticking point in the two-day strike. New talks would begin on September 1, it said.

However, company officials in Seoul and *in Ulsan,* some of whom moved during the dispute after their homes were attacked by strikers, could not be reached to confirm the television report.

Earlier thousands of wary riot police stood by as the strikers, led by fork-lift trucks, marched to a company stadium and denounced Hyundai's decision to *lock them out of their factories.*

On Monday the same riot police fired tear gas to disperse about 1,000 Hyundai workers protesting in the same way. The *lockout followed a decision not* to negotiate with a workers' representative who was elected in a vote last week.

Although the Government's intervention *appears to have re*solved a crucial dispute in one of the country's most visible groups, the labour ministry said yesterday that over 300 strikes *remain unresolved.* The disputes could cost the country between $1bn and $3bn in lost exports, a Government think-tank said last week.

Last night's report on state television suggests that the Government is prepared to back its recent, and some say belated, support for worker demands, *by putting pressure on the large* companies.

President Chun Doo Hwan in a cabinet meeting yesterday repeated earlier promises by his *ministers that the Government* would protect workers' welfare and revise the labour laws. He also warned against violence during the strikes that are now *moving into their fourth week.*

Government officials have said they would not intervene in labour disputes, as they frequently did in the past on the side of *management, and have called for* the two industrial partners to resolve disputes together.

Denmark calls September election

Continued from Page 1

the end of the year, with unemployment expected to *rise from* its present 8 per cent to 10 per cent.

Mr Palle Simonsen, the Finance Minister, announcing the *draft state budget for 1988* earlier this week, expressed glowing optimism about the economy, predicting a halving of the balance of payments deficit this year.

The Copenhagen bond and currency *markets reacted* cautiously but later optimistically, to news of the poll, which dealers generally felt the ruling Conservative-Liberal Government *had a good chance of win*ning.

In a separate development, the Government yesterday unveiled a package of proposals to further Danish competitiveness in export markets.

The DKr3.2bn ($447m) package largely comprises changes *in tax regulations* for export industries. It includes proposals for tax relief for export promotions, investment funds for research and development, and VAT *reductions for the sector.* The initiative also proposes tax reductions for employees working abroad in Danish export industries.

Equiticorp poised for UK bid

BY TERRY POVEY IN LONDON

EQUITICORP, the New Zealand investment and banking company, is negotiating to increase its stake in Guinness Peat by at least 5 per cent. The additional *shares would take its holding* over 30 per cent and therefore trigger a full offer for the UK merchant banking and fund management group.

Guinness Peat commented yesterday that it had received a "strange letter this morning" notifying it that Equiticorp, New Zealand's tenth largest compa*ny, was contemplating acquir*ing further shares, with the consequence that it would be required to make a *full* bid.

The City of London takeover *code requires any holder of* more than 30 per cent to make a bid.

The highest price being paid in the uncompleted share purchases is 110p ($1.73) - the level *at which Equiticorp has indica*tedg that they may bid.

Any offer at this level would be *"totally* unacceptable" and "not worthy of discussion", said Guinness Peat.

Equiticorp first took a 25.5 per cent stake in Guinness Peat in April. Since then Mr Alastair Morton, Guinness Peat's chairman, has been forced to conceed two places on the group's board the New Zealand company, which now holds a 29.7 per cent stake.

Yesterday, however, Mr Morton *called for Equiticorp's rep*resentatives on the Guinness Peat board to resign. They have not attended a full meeting.

As it happened, news of a pos*sible bid came in a confidential* letter from Equiticorp explaining why its executives would not be attending the UK group's board meeting held yesterday *morning.*

Equiticorp are severely critical of the present Guinness Peat management, *particularly* of the time being devoted by Mr Morton, the chairman, to the Eurotunnel project, of which he is joint chairman.

A full bid for Guinness Peat at around 110p a share is expected *within the next week*

Hill Samuel shares suspended

BY DAVID LASCELLES IN LONDON

HILL SAMUEL, the UK merchant banking group, yesterday *asked for trading in its shares* on the London Stock Exchange to be suspended.

The request foreshadowed an imminent announcement about *the terms of a takeover bid by* Union Bank of Switzerland with whom discussions have been proceeding since early July.

Market analysts widely expect UBS *to make* an offer of about 800p a share, which would value Hill Samuel at £760m. The shares were suspended at 763p.

There is some uncertainty as to whether UBS intends to bid *for all or part of the group.* Mr Robert Studer, UBS's managing director, has said he might settle for 60 per cent.

UBS has been conducting its own *evaluation of the banking* operations of the company, while Schroders had been acting as UBS's advisers on the non-banking parts of the group, such as shipping and employee benefits.

The takeover, if completed, would mark the first major acquisition of a UK merchant bank by a foreign concern, and would produce London's largest stock exchange firm by combining Phillips & Drew, UBS's UK stockbrokers, and Wood Mackenzie, part of the Hill Samuel group.

Dollar hit by trade figures

Continued from Page 1

On the US bond market, the benchmark US 30-year long bond lost more than one point and on Wall Street, the Dow Jones Industrial Average closed above its worst for the day but still lost 45.91 at 2654.66, reflecting concern about the inflationary implications of the dollar's renewed weakness.

Dollar selling has been in*tensified* this week because of the decline in oil prices since the weekend, apparently reflecting a waning of the "fear factor" associated with tension *in the Gulf. This factor* had given the dollar strong underlying support in recent weeks.

The foreign exchange market's view on the dollar seems *to be turning after* the sustained recovery in recent months, and many dealers are now wondering whether the dollar could settle into a renewed downward trend.

The key to this pessimism *lies in last Friday's trade fig*ures, which appeared to provide evidence that progress made in reducing the deficit this year had been an illusion. The deficit widened to $15.7bn in June from $14bn

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	28	82	Dubrovnik	S	27	81	Malta	F	30	86	Rhodes	S	28	82
Algiers	S	30	86	Edinburgh	C	17	63	Manchester	C	19	66	Rio de Jo	S	23	73
Amsterdam	F	23	73	Faro	S	31	88	Manila	S	34	93	Rome	F	29	84
Athens	S	29	84	Florence	C	27	81	Melbourne	S	13	55	Salzburg	C	19	66
Bahrain	S	37	99	Frankfurt	C	23	73	Mexico City	S	27	81	San Francisco	C	21	70
Bangkok	S	33	91	Funchal	F	24	75	Miami	R	34	93	Seoul	F	30	86
Barcelona	S	28	82	Geneva	F	25	77	Milan	S	28	82	Singapore	F	31	88
Beirut	-	-	-	Gibraltar	S	24	75	Montreal	R	23	73	Stockholm	F	19	66
Belfast	C	17	63	Glasgow	F	18	64	Moscow	C	14	57	Strasbourg	C	24	75
Belgrade	S	27	81	Guernsey	F	18	64	Munich	R	20	68	Sydney	D	16	61
Berlin	R	23	73	Helsinki	S	20	68	Nairobi	F	25	77	Taipei	C	35	95
Biarritz	F	24	75	H. Kong	F	31	88	Naples	S	32	90	Tangier	S	32	90
Bombay	C	29	84	Innsbruck	C	19	66	Nassau	R	33	91	Tel Aviv	S	24	75
Bordeaux	F	25	77	Inverness	C	16	61	New Delhi	F	36	97	Tenerife	S	27	81
Brussels	C	20	68	Islamabad	S	42	108	New York	R	28	82	Tokyo	C	29	84
Budapest	S	25	77	Istanbul	F	24	75	Nice	S	28	82	Toronto	R	19	66
B. Aires	C	19	66	Jakarta	S	34	93	Nicosia	S	39	102	Tunis	F	35	95
Cairo	S	32	90	Jersey	F	19	66	Oporto	S	23	73	Valencia	S	32	90
Cape Town	R	17	63	Jo'burg	S	20	68	Oslo	C	19	66	Venice	S	27	81
Caracas	C	28	82	Lima	-	-	-	Paris	F	25	77	Vienna	F	24	75
Casablanca	S	27	81	Lisbon	S	28	82	Peking	C	28	82	Warsaw	R	19	66
Chicago	S	27	81	London	F	22	72	Prague	S	25	77	Washington	F	26	79
Cologne	C	20	68	Los Angeles	C	30	86	Reykjavik	R	11	52	Zurich	C	20	68
Copenhagen	C	19	66	Luxembourg	C	20	68								
Corfu	S	29	84	Madrid	C	31	88								
Dallas	S	26	79	Majorca	F	29	84								
Dublin	R	15	59	Malaga	S	30	86								

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Gulf tanker missile attack

Continued from Page 1

*The wider diplomatic man*oeuvring over the Gulf conflict continued yesterday, as Mr Tariq Aziz, the Iraqi Foreign Minister, called on the United Nations *to act to enforce* a ceasefire call by the UN Security Council. *Signs of tension also* emerged between Iraq and the Soviet Union, its main arms supplier, following recent indications that Moscow is trying to improve relations with Iran.

An Iraqi newspaper implicitly criticised Moscow for what it called "short-sighted policy and minor calculations...which un*dermine* the credibility of that state and its friendship."

The Soviet Union is being quietly accused by the US and Britain of dragging its feet over *a proposed UN arms embargo* on Iran, following Tehran's failure to accept the Security Council resolution. However, Iran has sought to keep its options open, and has invited Mr Javier Perez de Cuellar, the UN *Secretary-General, to visit* Tehran.

هكذا من الأصل

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday August 19 1987

J. C. Penney up 80% to $93m in quarter

BY DEBORAH HARGREAVES IN NEW YORK

J.C. PENNEY, the New York based retailer, yesterday reported second-quarter net profits up by more than 80 per cent to a record $93m, or 68 cents a share, compared with $50m, or 38 cents per share, in the same year-ago period.

Sales for the quarter ended on August 1 were $3.41bn, up from $3.22bn. For the first half, sales reached $6.63bn against $6.27bn, net earnings rose to $239m from $144m, and per share earnings jumped to $1.58 per share from 96 cents.

Some Wall Street analysts are projecting earnings of $4.30 per share for the full year. The company says it is working to improve profit margins largely by reducing inventory levels and cutting markdowns.

J.C. Penney is also planning to move its corporate headquarters from New York to Dallas later this year in a move that will cut overheads. At the same time, the company is set to move into the home shopping market with the launch of a home shopping television channel in the Chicago area in October.

Meanwhile Dayton Hudson, the Minneapolis-based retailer which was recently under siege from the Haft family, showed a profit fall in the second quarter compared with the same period last year, largely due to costs associated with a major expansion programme.

The company posted net income from continuing operations of $23m, or 24 cents per share, down from $40.6m, or 41 cents a share although sales for the quarter were up to $2.31bn from $2.04bn.

First-half net income from continuing operations showed a fall to $61.1m, or 63 cents a share, from $81.1m, or 83 cents per share a year earlier. Sales, however, rose to $4.46bn from $3.93bn.

Zayre, one of the five large US discount department store chains, posted a substantial rise in its second-quarter profit largely due to a gain of some $90m from the public offering of 17.5 per cent of the stock in its TJX subsidiary.

The company reported net income of $78.25m, or $1.30 per share, for the second quarter that ended on August 1, an increase from $5.61m, or nine cents a share, in the 1986 period. Second-quarter revenues were up at $1.40bn from $1.21bn a year ago.

In the first half, the company reported a net profit of $99.24m, or $1.66 per share, compared with $22.31m, or 37 cents a share, in the 1986 first half which included a loss of $3.43m from the early retirement of debt.

Perelman renews approach to Gillette with $5.38bn offer

BY JAMES BUCHAN IN NEW YORK

MR RONALD PERELMAN, the US investor who took the Revlon cosmetics group private earlier this year, has launched his third attack at Gillette with an offer to buy the razor and consumer products company for $47 a share or $5.38bn in cash and securities.

The Revlon offer is for $45 a share in cash, as well as securities designed to have a value of $2 a share. The offer, which outstrips Mr Perelman's earlier proposals of $40.50 a share in June and $32.50 last November, seems aimed at terrorising the Gillette board into seeking a higher offer from elsewhere or releasing Revlon from its promise not to buy Gillette stock.

Under a standstill agreement after Revlon's first assault was rebuffed by the Gillette board last year, Mr Perelman stands to make a profit of more than $300m if the company is sold before November to a third party at the sort of price involved in his latest bid.

However, he also apparently needs the Gillette board's agreement to buy into the company, which dominates the US market for razor blades and makes other products such as Right Guard deodorant and DuPont cigarette lighters. Gillette accused him of violating that agreement with his proposal in June, which was also rejected.

In a letter to the Gillette board on Monday, Mr Perelman denied he was in breach of last November's agreement and offered to waive the $300m or more preferential arrangement in the case of a third-party bid.

"We are not afraid to have our proposal compete on a level playing field with any other alternative," he said.

Gillette, which has launched a restructuring of its operations since the first Revlon bid last autumn, reported a 43 per cent rise in per-share earnings in the quarter to June, with net income of $58m

With a large proportion of Gillette's stock already in the hands of professional speculators or arbitrageurs, much of Wall Street stands to profit from a takeover.

Tandy boosts earnings by 23%

By Louise Kehoe in San Francisco

TANDY, the US electronics manufacturer and retailer, yesterday reported an earnings increase of 23 per cent for the year to June, reaching $242.3m, or $2.70 per share, from $197.7m or $2.22 per share in 1985 – 1986.

Sales rose 14 per cent from $3.03bn to $3.45bn. With more than 7,000 Radio Shack stores, Tandy is the largest US electronics retailer although an increasing proportion, currently about 25 cent, of its revenues come from producing personal computers.

For the fourth quarter, Tandy had a 66 per cent jump in net income to $44.4m, or 49 cents per share, from the $26.8m or 30 cents per share reported a year ago. Sales for the final three months were $736.6m, up 7 per cent from the previous $690.8m.

The company is the largest US supplier of IBM-compatible personal computers with particular strength in the low end of the market selling to consumers and schools.

Last month Tandy revamped its personal computer product line with several new models, including an aggressively priced 32-bit personal computer that will compete directly with IBM's latest models.

Hewlett-Packard expands products

HEWLETT-PACKARD said it expanded its commercial workstation line with the introduction of low-priced terminals for IBM, Digital Equipment, and standard, general purpose environments, Reuter reports from Palo Alto, California.

Philip Morris launches General Foods shake-up

BY RODERICK ORAM IN NEW YORK

GENERAL FOODS, a leader in the US packaged foods industry, has announced its first major reorganisation since it was acquired by Philip Morris for $5.6bn in late 1985.

The decentralisation aims to cut corporate overheads and speed up decision making in an effort to make General Foods more competitive.

Philip Morris, the US tobacco and drinks group, had said after the acquisition that it would leave General Foods as an autonomous unit while it learnt more about the food industry.

Recently, however, the parent has shown increasing signs of impatience that General Food's slow profit growth has been a drag on the Philip Morris results.

Under the plan, General Foods will be split into three operating companies. General Foods USA will handle brands such as Jell-O deserts and Bird's Eye frozen foods. General Foods Coffee and International will number such brands as Maxwell House and Sanka. Oscar Mayer Foods will cover mostly meat products.

The three will report to General Food's present head office but most of its staff of 2,000, down only 300 since the takeover, will be transferred to the new operating units.

The decentralisation will allow the new units "to move more quickly and aggressively," said Mr Philip Smith, who retains the role of chief executive of General Food's which he assumed in January. He is also vice-chairman of Philip Morris.

General Food's growth rate, adjusted for inflation, has averaged around 3 per cent a year in recent years, compared with an industry average of about 4 per cent.

According to its annual report for the year ended March 1985 its selling and general administrative expenses were about five times pre-tax profits compared with food industry averages of about three times, analysts estimate.

Since taking charge of General Foods, Mr Smith has tried to accelerate growth by boosting market shares of the group's traditional products and building up major new areas.

He has also made lower ranks of managers more responsible for the performances of their products to the market.

Asea opens crucial talks on approval of Brown Boveri deal

BY KEVIN DONE IN STOCKHOLM

ASEA, the Swedish electrical engineering group, yesterday held its first meeting with officials of the Swedish Industry Ministry with the aim of gaining crucial government approval for its planned merger with BBC Brown Boveri of Switzerland.

It is thought unlikely that the Swedish Government would seek to block the deal – the biggest foreign merger in the country's history – involving Sweden's third largest industrial corporation.

However, there is official concern that part of the group's research and development activities could be moved abroad and that Swedish jobs could be endangered.

Mr Thage Peterson, Swedish Industry Minister, said no conditions would be imposed on Asea, but that "voluntary undertakings" from the company, could ease the approval procedure.

The Government accepts that the Swedish economy and Swedish industry must be further internationalised, but it is concerned that the Asea/Brown Boveri deal will increase foreign ownership in Swedish industry from around 11 to 12 per cent to some 16 to 17 per cent.

"It is a question of principal importance as to how great an influence foreign capital should have in Swedish industry," he said.

"I have hitherto been of the opinion that foreign ownership and co-operation between Swedish and foreign companies has been positive for Sweden and the Swedish economy."

The Government is seeking the views of the trade unions, the cartel authorities and other agencies, which have three weeks to reply, and could reach a decision in October.

● Gambro, the Swedish manufacturer of kidney dialysis and intensive care equipment, increased its profits (after financial items) by 40 per cent in the first six months of the year to SKr68.8m ($10.5m) from SKr49.2m a year earlier.

Group turnover rose by six per cent to SKr842m from SKr793.3m in the first six months of 1986.

Gambro profits fell heavily in 1984 and 1985 forcing a severe rationalisation and reorganisation of the group, which has allowed profitability to recover during the past 18 months.

The company expects a "continuing favourable income development" for the remainder of the year.

High costs depress NMB in first-half

By Laura Raun in Amsterdam

THE NETHERLANDS' third largest commercial bank, Nederlandse Middenstandsbank (NMB), said its earnings fell 6 per cent to Fl 101m ($47.8m) in the first half from Fl 108m in the corresponding period of 1986.

Costs rose more than income during the first six months although NMB gave no details of its results. Narrow interest rate margins and lower income from securities trading and investments have plagued other Dutch banks, with Algemene Bank Nederland and Amsterdam-Rotterdam bank managing to lift their earnings only by cutting loan-loss provisions.

NMB nevertheless said it expected net income for all of 1987 to rise slightly above last year's Fl 194m.

Gross profits fell 6 per cent to Fl 384m in the first six months compared with a year earlier. The reserves set aside for questionable loans were reduced by 11 per cent to Fl 250m as the loan portfolio improved.

NMB's total income barely edged up by 1 per cent to Fl 1.09bn from Fl 1.08bn. Overall costs rose 5 per cent to Fl 702m from Fl 669m due to increases in expenses for personnel, automation and the bank's new headquarters.

Chevron sells Gulf name

By Lucy Kellaway in London

CHEVRON, the US oil company, has sold the Gulf name for most parts of the world outside the US to Gotco, a privately owned oil trading company, for an undisclosed sum.

Gotco, which was formed three years ago to buy the oil trading and lubricants business of Gulf, had previously used the Gulf name only for its lubricants businesses on a leased basis.

Judy Dempsey on Austria's troubled state sector industries

OIAG prepares to bite the bullet

"WE HAVE no alternative. We must be successful," says the chairman of OIAG, the umbrella group for Austria's state-owned companies. Hard, brave words indeed, and words rarely spoken in Austria where for years the state industries have been running up vast losses.

The man behind this new approach is the 46-year-old Mr Hugo Michael Sekyra, who was appointed chairman of OIAG not quite 12 months ago. At that time Voest-Alpine, the state steel and engineering company, had just announced losses of over Sch 8bn ($600m).

Mr Sekyra says the situation can no longer continue. "We must think about profit. We cannot think about failure. We have to radically change the mentality in this country and radically restructure the state industries."

His plans are going to hurt a lot of people. He is reluctant to reveal the fine print, but they will involve major changes in investment strategy, changes in production, possibly hiving-off sections of the state run companies and a complete overhaul of both management skills and research and development programmes. The plans will undoubtedly lead to a heavy loss of jobs.

Unemployment in Austria, currently 5 per cent, is forecast to reach 7 per cent by the end of the year. "It was a credo of the Kreisky era — the former socialist Chancellor of Austria —that there would be no unemployment," says Mr Sekyra. "The cost of that policy led to overmanning, low productivity, the stifling of initiative and the downplaying of profit. We are now paying the bill."

High social cost

Mr Sekyra is not afraid to criticise the close ties between the state industries and the political establishment. "If one manager wants to introduce changes, the shop steward, reluctant to change, goes to the union. A politician thinks about votes and how unemployment can lead to a loss of votes," says a determined Mr Sekyra.

He believes it is now or never for OIAG to make the break but he knows the social cost will be high. VEW, the state steel group, for instance, will shed over 4,000 workers over the next year or so. Voest-Alpine, with its 32,000 workers will almost certainly be forced to lay-off several thousand. Managers will be threatened too.

But just how much time has Mr Sekyra to push through his plans. And who says he will be successful in getting the plans accepted?

At this stage it looks as if the political climate is on his side. Dr Franz Vranitzky, the socialist Chancellor, and Dr Rudolf Streicher, the minister for the nationalised industries, support the idea of a leaner, more efficient state-run sector, even if it leads to higher unemployment.

Last year, the Austrian taxpayer shelled out more than Sch 32bn ($2.4bn) on OIAG. The subsidiary is supposed to last until 1990 and cover the cost of a much needed modernisation programme as well as losses on trading. OIAG's losses for the first half of this year were running at Sch 3.7bn.

Strategy concept

One of the conditions for allocating OIAG its Sch 32bn subsidy was that it come up with a "strategy concept" by October 1987. This is exactly what Mr Sekyra is working on.

He could be pressed for time. "We have two to three years to turn OIAG around," he says. But what if Mr Sekyra cannot make OIAG profitable or at least less loss-making. "I really refuse to discuss failure," he says.

SocGen in talks with Sumitomo and CGE

BY TIM DICKSON IN BRUSSELS

Societe Generale de Belgique has disclosed that it is talking to Compagnie Generale d'Electricite and Sumitomo Corporation with a view to the French and Japanese groups taking an equity stake in Belgium's largest commercial and industrial holding company.

At the same time, Societe Generale has indicated that it will be asking shareholders at forthcoming extraordinary meetings later this month and in September to sanction a 60 per cent increase in the authorised capital, enabling the directors to issue up to 15.9m new shares without offering rights to existing shareholders.

The latest details of the group's strategy, which was revealed in interviews in two leading Belgian daily newspapers with Viscount Etienne Davignon, a director, come at at time of continuing speculation over the identity of a mystery buyer of shares in Societe Generale.

Since the middle of June, the group's share price has risen from around BFr 3,500 to BFr 4,020 last night (and above BFr 4,200 in recent weeks) and raised widespread suggestions that a corporate raider may be lurking in the wings.

Viscount Davignon insisted that the timing of the latest announcement was coincidental, though he admitted that "we find the buying of our shares very worrying." He added, "We can do nothing. Belgian legislation does not oblige buyers, however important, to communicate their identity."

Stock market observers, meanwhile, see Societe Generale's latest plans as a clear attempt to bolster its defences. One analyst last night suggested that they may "smoke out" the mystery buyer of the shares.

Viscount Davignon did not say what size of stake is being considered by CGE and Sumitomo but he stressed the internationalisation of the group's activities and the importance of its search for "stable international shareholders."

As for the choice of the potential partners, he drew attention to the collaboration agreements that already exist with the two groups. The one with Sumitomo was concluded in December 1985 but has so far yielded little in the way of specific projects.

Societe Generale, meanwhile, has a stake of around 2.5 per cent in CGE and has other links with the French company, mainly through Alcatel, which groups together the telecommunications activities previously carried out by CGE and ITT.

Superfos back in the black in first half

BY OUR FINANCIAL STAFF

SUPERFOS, the Danish fertiliser, packaging and building materials group which was hit last year by heavy losses and the departure of top management, has climbed out of the red for the first half of 1987.

Against a loss of DKr 117m ($16.25m) a year ago, the group has turned in a profit before tax and minorities of DKr 61m for the six months. For the whole of 1986 after-tax losses totalled DKr 306m.

Turnover for the half year was DKr 2.87bn. This is little more than half the DKr 5.49bn six-month total a year ago and reflects the disposal earlier this year of the US fertiliser business, Royster.

Superfos acquired Royster for $110m in 1984 just as the US fertiliser market was about to go rapidly into reverse. The subsidiary's subsequent losses eventually dragged the Superfos group as a whole into the red.

The troubled trading led last year to the resignation of Mr Jorgen Trygged, Superfos managing director since 1981. Superfos has not paid a dividend since 1985.

As an initial step towards extricating itself from trading difficulties, Superfos linked up late last year with Kemira when it took the Finnish state chemical group on board as a partner in its Danish fertiliser business.

Kemira purchased a 65 per cent shareholding in Superfos Fertilisers which expected to have sales for 1987 of around DKr 1.5bn.

Chargeurs lifts stake in Prouvost to 24.8%

By George Graham in Paris

SHADOW BOXING continued yesterday around the future of Prouvost, the leading French textiles company and one of the world's major wool traders.

Prouvost's shares continued their roller-coaster ride with a FFr 40 drop yesterday to FFr 414 after Chargeurs, the financial conglomerate controlled by Mr Jerome Seydoux, announced that it had increased its stake in the company to 24.8 per cent. The holding includes a stake of around 8 per cent bought from some members of the Prouvost family.

Chargeurs had announced an 11.7 per cent stake a fortnight ago, but the persistent demand for Prouvost shares in recent days had indicated that Mr Seydoux was still buying. The shares had risen as high as FFr 489 in trading on Monday, 80 per cent up from their level a month ago.

The Chargeurs purchases appear to have happened on autopilot. The company insisted yesterday that its entire management was on holiday, and that no one knew anything at all about the build-up on the Prouvost stake.

The absence of the group's management may help to explain the apparent delays in declaring Chargeurs' stakes in Prouvost.

The Commission des Operations de la Bourse (COB), the French stock exchange watchdog, had already opened an investigation into whether Chargeurs had failed to declare in time that it had crossed the new 5 per cent declaration limit, and stock exchange dealers yesterday suggested that the 20 per cent disclosure limit was also passed some time ago.

Dealers were unable to explain Chargeur's strategy, however, unless it plans to detach some more of Prouvost's predominantly family shareholders.

Family interests still control an estimated 20 to 22 per cent of Prouvost's stock, while friendly banks control 16 per cent and Vitos, a company chaired by Mr Christian Derveloy, the Prouvost chairman, a further 15 per cent.

Since some of the shares carry double voting rights, these three blocks of shares should control significantly more than 50 per cent of the votes in a Prouvost shareholders' meeting, even after the defection of some family shareholders.

Mr Jean-Pierre Pinquet, Prouvost's finance director, said Mr Seydoux had notified the company of the increase in his stake but had not revealed his intensions.

Prouvost recorded total sales of FFr 8.4bn ($1.35bn) last year, with 40 per cent accounted for by wool trading and carding. In this sector it claims a 14 per cent share of the world market.

The company is also present further downstream in the wool industry, with interests including the leading French knitting wool brand Pingouin and the Rodier clothing brand.

Refinancing of two loans by TAP

By Stephen Fidler, Euromarkets Correspondent

TAP, Portugal's state-owned airline, has become the latest borrower to take advantage of the country's improved rating with lenders, renegotiating two loans signed in February 1981.

The two original loans totalled $115m and $90m, but they have been partly repaid and some $92.2m is outstanding to be refinanced with a final maturity of 1995.

Part of the original financing carried a so-called tax spared portion, which reduced the interest rate payable by taking advantages of UK tax laws.

The refinanced loan, which is being arranged by National Westminster, will also include a tax spared part, but changes in UK law have made such deals less advantageous and it is only being syndicated on a best-efforts basis.

The interest rate margin on the conventional part is 17.5 basis points, and the tax-spared portion carries a 15 basis point margin. Renegotiation fees range down from 6 basis points for a commitment of $7.5m. Syndication has already begun among existing banks in the syndicates, and a handful of new banks.

● IBJ International has been mandated to arrange a £30m revolving credit for Irish Telecommunications Investments, guaranteed by the Irish Republic.

It is also a refinancing of a loan signed in 1984. It is being refinanced over 5½ years, and carries a margin of 10 basis points for the first 2½ years and 12.5 basis points thereafter. A commitment fee of five basis points is payable quarterly and there is a front-end fee of 10 basis points.

Sudden dollar upset puts Eurobond prices in a spin

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

THE DOLLAR'S sudden slippage overshadowed international bond markets yesterday, further worsening the investor climate for Eurodollar bonds.

The speed of the dollar's resumed decline, seen in the currency markets as a belated reaction to last week's poor US trade figures, has taken all markets by surprise. After a quiet morning in Europe, New York bond and share prices dipped sharply and European markets took their cue.

Eurodollar bond prices dropped by up to ¾ points, mainly on professional selling. Conversely, some other currency sectors improved. D-Mark bond prices rose about one percentage point at the long end of the domestic market, with some foreign issues gaining 0.5 to 0.7 points and recent supranational issues particularly in demand. The Swiss market, though prices were little changed, saw several new issues.

The day's biggest issue was for MCA, the US entertainments group. Morgan Stanley International bought the $300m convertible deal and the terms were consequently fixed before launch — a rare though by no means unprecedented practice.

This method provides more certainty about the borrower's costs, but also probably prevents it from obtaining the finest terms. It is also riskier for the lead manager which must assume the risk of an adverse share price movement during the syndication period.

The deal was syndicated before Wall Street's drop, and the lead manager was consequently quite relaxed later in the day and bidding the deal just below par, well within fees.

The 15-year issue was assigned a 5¼ per cent coupon and par pricing. The conversion price was set at $69¾, some 17 per cent above Monday's New York closing share price of $59¾, which by yesterday afternoon had slipped to $58¾.

The weakness of dollar markets did not help Salomon Brothers International in its offering of a $150m eight-year bond for Caisse d'Aide a l'Equipment des Collectivites Locales, the French state-owned financing agency which is Triple A rated but does not carry the Republic's guarantee.

Terms were seen as reasonable with a 9½ per cent coupon and a price of 101¼. There is no "on-the-run" US Treasury of comparable maturity. Salomon said the yield was some 78 basis points above an interpolated eight-year, or 85 above a seven-year.

The timing and structure of the deal were clearly designed to fit the borrower's precise funding requirements, with

INTERNATIONAL BONDS

several swaps also involved. Though it was targeted at a more institutional investor base than the successful Coca-Cola Enterprises offering of the previous day, the two issues were alike in that they did not reflect any feeling on the part of the issuing houses that broad-based confidence was returning to the dollar sector.

Salomon, which gave the issue a fair amount of buying support, kept the issue's price at a level — outside fees — which maintained the initial spread to Treasuries.

Elsewhere in the dollar sector, Nikko Securities launched a $100m bond with equity warrants for Mitsubishi Cable Industries, with a five-year maturity, an indicated coupon of 3¼ per cent and par pricing.

Sumitomo Finance International repackaged Japanese equity warrant bonds into a $50m floating-rate note, issued by Smart Two, a special purpose vehicle, with a five-year life, a coupon of 21 basis points above six-month London interbank offered rates and price of 100.1.

The Australian dollar sector continued to attract issues by Continental banks aimed at retail Continental investors. DG Bank was well received with a A$50m issue for a financing subsidiary, with a three-year life, a 13¾ per cent coupon and 101¾ pricing. It traded inside fees.

CIBC led an issue for Austria's Oesterreichische Volksbanken, which services the country's industrial co-operatives, with the same terms except that the price was set at 101½. It was aimed primarily at Austrian but also German investors and was quoted at a discount about equal to the fees.

Syndicate managers said there still appears to be room for high coupon issues with Continental retail investors still showing an unseasonally high level of demand.

In Switzerland, Daiwa Kosho Lease, a prefabricated housing company, made a SFr 90m issue with equity warrants led by Union Bank of Switzerland. The private placement had a five-year life and was assigned an indicated coupon of 1½ per cent.

Tokyo Tatemono, a real estate developer, issued SFr 60m through a private placement also led by UBS. The 5½ per cent five-year convertible issue had an indicated ¾ per cent coupon.

Credit Suisse brought a SFr 30m convertible private placement for Japan Organo, a maker of water treatment equipment, with a five-year life and an indicated ¾ per cent coupon.

Foreign bond prices were little changed, though longer-dated issues eased ¾ to ½ points in places. Qantas's SFr 110m issue finished its second day's trading unchanged at 98½, compared with a 100¼ issue price.

In West Germany, a DM 30m bonds-with-warrants issue was launched by Deutsche Bank for Markt und Technik Finance, a financing susbidiary of a Munich publishing and software concern. The seven-year issue was assigned fixed terms with a 6¾ per cent coupon and a price of 142. It has a 29½ per cent exercise premium, based on an ex-warrant bond yield of about 7 per cent. The issue was trading at around 150.

Elsewhere, Taisho Marine and Fire Insurance's $200m issue had its terms fixed as indicated with a 3½ per cent coupon.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 18

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.16
All Nippon Air 9⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.77
A/S Eksportfinans 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 9⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Telecom 7⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCCE 7⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNCA 7¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 8¼ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais 9 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 7¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 7¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 8¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 7¼ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 8¼ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 7⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 7½ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 10⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Elec. Cred. 10¼ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 8¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 8¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoesch 8¼ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoesch 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoesch 7⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liberty Mutual 8½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB of Japan 8 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS; OTHER STRAIGHTS; FLOATING RATE NOTES; DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS: [illegible]

Average price change on day [illegible] on week [illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL COMPANIES and FINANCE

De Beers lifts first half profits by 50%

BY JIM JONES IN JOHANNESBURG

INCREASED FIRST-HALF sales by the Central Selling Organisation (CSO) did not translate fully into diamond account profits for De Beers in the first half of this year. Nevertheless, higher non-diamond revenues and a lower tax bill combined to lift the diamond company's attributable interim earnings by 50 per cent.

The CSO, De Beers' marketing arm, which controls about 80 per cent of the world's rough diamond market, reported a 19 per cent increase in sales to R3.21bn ($1.52bn) in the first half, from R2.71bn in the first half of 1986. In contrast, De Beers' interim diamond account profit rose by 5 per cent, to R469m, from R447m. Increased investment and interest income and lower interest payments combined to raise the interim pre-tax profit to R639m, from R543m.

In 1986 CSO sales totalled R5.91m, De Beers' diamond account profit was R1.36bn and group pre-tax profit was R1.52bn.

The directors have not commented on the apparent disparity between the CSO's sales growth and the increase in De Beers' diamond profits. However Johannesburg stockbrokers believe the difference is because the CSO is having to market an increasing proportion of non-group gems. New production is reaching the market from Australia, and several countries which market through the CSO are said to have insisted on De Beers dropping quota limits on non-group producers

Dai-Ichi Kangyo in Y120bn public offer

By Yoko Shibata in Tokyo

DAI-ICHI KANGYO BANK (DKB) said yesterday it will raise Y120bn ($798.93m) through a public offer of shares in September. The bank is also to make a three for 100 scrip.

The new issues are designed to enhance the bank's primary capital ratio in response to the international tightening of regulations.

Mr Chuichi Numata, the bank's senior managing director, said DKB's offering is designed to broaden the shareholder base for more flexible fund-raising operations on capital markets. The scheduled share offering will raise capital ratio by 0.3 percentage points to 3.2 per cent, Mr Numata said.

The bank now has equity capital of Y140.4bn and some 2,499m shares outstanding. DKB's shares closed at Y3,190 yesterday, up Y10 on the Tokyo Stock Exchange.

● Pioneer Electronics boosted consolidated profits in the first nine months to June 1987, by 2.2 times to Y7.35bn ($48.5m). Pioneer attributed the upsurge in earnings to increased sales, reduced costs, lower interest charges, due mainly to keener inventory control, and a recovery in earnings by US subsidiaries.

The nine months consolidated sales advanced to Y273.68bn.

Hang Lung rights to raise HK$3bn for streamlining

BY KEVIN HAMLIN IN HONG KONG

HANG LUNG DEVELOPMENT, a large property development and investment concern, is mounting a HK$3bn ($384m) rights issue as part of a sweeping reorganisation of its companies that Mr Thomas Chen, the chairman, said will streamline group operations.

Hang Lung's investment property interests are being injected into Amoy Canning, its 76.9 per cent held quoted subsidiary. To finance this Amoy will issue 1.08m new shares at HK$2.78 each, raising HK$3bn. These will be allotted on a ratio of 1,080 for every 500 held.

Amoy is proposing a special cash dividend of HK$4 per share and will make a bonus issue of 450m new shares on a ratio of nine new shares for each share held as a further part of the reorganisation. A portion o Hang Lung's entitlement to these shares will be distributed to its shareholders on a one-for-10 basis.

Hang Lung will subscribe to about 68 per cent of its entitlement for Amoy's rights issue, with the balance to be made available to the public in a move designed to enlarge Amoy's shareholder base. Hang Lung's stake in Amoy will consequently be heduced fro m76.8 per cent to 51 per cent.

The reorganisation proposals coincided with the release by both companies of record profits for the year to June. Hang Lung's net profit more than doubled to HK$ 665.68m, while Amoy's after-tax profit soared more than two-and-a-half times to HK$ 309.75m.

Hang Lung will make a one-for-one bonus issue of shares and a one-for-five bonus issue of warrants. It is paying a final dividend of HK$0.30 per share, making a total payment for the year of HK$0.50 per share. Amoy's final dividend will be HK$1 per share, taking its total dividend payment for the year to HK$1.50. Trading in shares of the companies will resume on Thursday.

AMI Toyota falls into record loss

BY BRUCE JACQUES IN SYDNEY

AMI TOYOTA, under a takeover bid from its Japanese parents, the Toyota Motor Corporation, has omitted both preference and ordinary dividends after a record loss in the latest year to the end of June.

The company, Toyota's main operating arm in Australia, crashed to a A$36.9m ($26m) loss, following a A$5.8m profit in the previous year. An extraordinary loss of A$5.9m on foreign exchange, against a A$5.8m loss previously, added to the deficit.

The result followed a sales dip in the difficult Australian market from A$766m to A$681m. Mr Norman Itaya, managing director, described the trading year as one of the hardest in Australia's automotive history and held out little hope of a short-term recovery.

The big loss was forecast by Toyota of Japan when it launched a bid for AMI in July, but its announcement can only encourage remaining shareholders to sell.

Toyota has foreshadowed a bid of A$2.65 a share for the 49 per cent of AMI it does not already own, but curiously the shares were being quoted at A$2.80 on Australian stock exchanges yesterday.

Protea ahead but warns on prospects

PROTEA ASSURANCE, the South African subsidiary of Sun Alliance, returned to underwriting profits in the six months to June 30 1987, although the directors warn that short-term insurance prospects remain uncertain, writes Jim Jones in Johannesburg.

Net premiums rose to R62.4m ($29.6m) in the first half of the year, from R54.9m in the first half of 1986, interim underwriting surplus was R2 85m, against an interim deficit of R1.39m and interim taxed profit was R7.39m, against R3.31m. In 1986, the year's net premiums were R104.3m, the underwriting deficit was R4.92m and taxed profit was R5.07m.

The directors say that South Africa still faces a serious incidence of crime and civil disobedience and that this makes short-term insurance prospects uncertain. In addition, marine business is being hampered by trade sanctions.

First half earnings rose to 94 cents a share from 42 cents and the interim dividend has been lifted to 11 cents from 6 cents. In 1986, earnings totalled 65 cents and the year's dividend was 23 cents.

UK COMPANY NEWS

Standard Chartered £224m in loss

BY DAVID LASCELLES, BANKING EDITOR

Standard Chartered, the London-based international bank, yesterday reported a pre-tax interim loss of £224m, chiefly because of a large £400m provision against its Third World loan exposure.

However, the group's underlying profitability was also affected by other loan losses and foreign exchange factors. The net result after tax was a loss of £279m compared with a profit of £70m in the same period last year.

Sir Peter Graham, chairman, said that the bank had decded to make good the resulting drain on reserves by selling off parts of the group rather than by making r rights issue. He declined to say what operations would be sold, but some £300m would have to be realised to bring the balance sheet back to strength.

The dividend is to remain unchanged at 12.5p.

Standard Chartered's profit before the Third World debt provision was £104.7m, down sharply from the £131m earned in the first half of last year. This fall was caused mainly by a substantially higher bad debt charge of £103m, up from £67m.

This charge included £28m for Union Bancorp, the US subsidiary which has encountered loan problems on the domestic market, including a £8m loss on its recently acquired offshoot in Arizona. Further charges of £15m were made in Malaysia and £13m in Canada. Management changes had been made as a result of these losses.

On the positive side, there were improved results from group treasury in London, Chartered Trust, the finance house subsidiary, and businesses in Hong Kong and Singapore which suffered loan losses last year. The group also made a profito f £71m on the sale of property in Tokyo.

Of the group's seven major operating regions, four made a profit before tax: the UK (£47m); Asia Pacific (£37.2m); Tropical Africa (£20.9m); Middle East and South Asia (£3.3m). The three which made a loss were Europe (£2.9m), North America (£3.6m) and Central Financing (£13.3m). The group's South African associate, in which it has a 39 per cent stake, made a £16m profit. That stake is now being sold to local investors for £153m, but since it is carried on the books at £194m, it will result in a loss, after tax, of £60m which will be accounted for as an extraordinary loss in the second half.

In common with other major international banks, Standard Chartered is making a large provision against its exposure to countries in payments difficulties. The £400m charge will bring total provisions to £515m, equivalent to 22 per cent of its exposure of £2.4bn. The exposure consists of £944m to 12 countries in Latin America (against which a provision of 27 per cent is being made), £744m to 21 countries in Europe, Africa and Asia (11 per cent) and £691m to South Africa (5 per cent).

The charge contributed to the sharp fall in Standard Chartered shareholders' funds to £860m from £1.3bn on January 1, which will be repaired through asset sales. Sir Peter declined to comment on the group's profit prospects, but he said he expected 1988 to be the year when "we shall resolve our problems". He would not say whether the group had received any fresh takeover approaches since last year's failed bid by Lloyds Bank.

See Lex

GrandMet selling US offshoot for £23.4m

By Lisa Wood

Grand Metropolitan, drinks, food and hotel group, is to sell Diversified Products, US fitness products business, for $37.5m (£23.4m) to DP-ACQ, a company controlled by Mr James Wilson, an investor of Montgomery, Alabama.

The sale follows an investigation by Mr Ian Martin, chairman and chief executive of GrandMet US into the group's US activities which were developed over the past seven years as part of a geographical diversification.

Diversified Products was acquired by Grand Metropolitan in its first push into the US when it bought the Liggett Group in 1980 for $540m. That purchase was made largely to acquire the non-tobacco businesses, including US liquor distribution, pet food and soft drinks bottling.

The sale of Diversified completes the lengthy rationalisation of Liggett.

In the year ended September 30 1986 Diversified generated sales of £146m and a trading profit of £2.5m. This year the business, the victim of a faddish fitness market with little repeat purchasing, is breaking even.

The sale of Liggett subsidiaries which did not fit GrandMet's strategy, including three tobacco businesses and Diversified will have raised $350m. The remaining interests make profits of about $150m a year and include the Paddington Corporation and Carillon Importers and Alpo petfoods.

This month GrandMet took a bigger bite of the US dog food market with the purchase of Jim Dandy, maker of dry pet food, for $25m. In addition to the businesses acquired with Liggett three other US branded consumer services have been acquired during the past four years as part of a push into consumer branded services.

Jaguar disappoints City with £46m at halfway

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

Jaguar's taxable profits fell by nearly one-third in the first half of this year, from £67.4m in the same months of 1986 to £45.7m.

This was well below the City's expectations—analysts had been predicting a minimum of £50m for the half-year—and the price of the luxury car company's shares dropped initially by 20p to 565p.

Later, after investors had a chance to absorb chairman Sir John Egan's generally bullish half-time report, the shares fell a further 3p to close at 562p.

Sir John said that the cost of launching Jaguar's new XJ6 saloon car, which accounts for about 80 per cent of output, had proved much higher than expected: £15m compared with the predicted £9m.

Jaguar's 1,000 suppliers had not been able to keep pace with the build up of XJ6 production. Some materials and components had been rejected because they were not up to the required quality.

Consequently, although Jaguar had enough employees to build 28,000 cars in the half-year, only 23,000 cars were produced, said Sir John.

Suppliers were now keeping pace, and second-half profits would recover, but not enough to enable Jaguar to repeat last year's full-year pre-tax profit of £120.8m.

Sir John said business was buoyant and demand for Jaguar cars "looks set to exceed our ability to supply for the foreseeable future.

"With the successful worldwide market introduction of our new saloon model, the company has laid a sound foundation for significant growth in profits in 1988 and thereafter."

His confidence was reflected in Jaguar's decision to boost the interim dividend payment by 12 per cent from 3.3p a share to 3.7p.

In the half-year Jaguar's turnover increased by 10 per cent, from £426.2m to £469m. Net profit after tax was down by 38 per cent from £45.1m to £27.9m.

There was a sharp increase in the depreciation charge in the half-year—from £11m to £25.1m—as the new production equipment came into operation. Jaguar indicated that the annual depreciation charge would eventually reach £100m.

Research and development expenditure was also sharply up, at £22m compared with £15.9m in the half-year and should reach about £50m for the full year against £35.6m in 1986.

About 55 per cent of the 49,000 cars Jaguar will produce in 1987 will go to the US. The company's forward hedging of dollar receipts had secured an average rate of $1.45 for 1987 compared with $1.28 last year, said Sir John.

About 65 per cent of the 1988 receipts had already been hedged at an average of $1.55.

Sir John travelled to the US yesterday to pass on his message to Wall Street where enthusiasm for Jaguar seems to have cooled recently. Since March the amount of Jaguar's issued capital held in the US via American Depositary Receipts (ADRs) has fallen from 49 per cent to 42 per cent.

See Lex

Braithwaite ups its stake in Leisuretime

By Fiona Thompson

Braithwaite, an engineering and manufacturing group, yesterday increased its stake in Leisuretime International, the hotels and holidays concern, from 1.1m to 1.35m shares.

The move boosts Braithwaite's share of Leisuretime's equity from 9 per cent to 11.1 per cent.

Leisuretime, chaired by former merchant banker Mr Tim Aitken, reported first-half pre-tax losses up from £467,000 to £887,000 to April 30 1987. Turnover was down from £2.61m to £2.59m.

Mr Andrew Fitton, Braithwaite's chief executive, said the share increase was not a prelude to a bid. "We view it as a long-term investment,"

W A rights

The rights issue of 9.45m shares by WA Holdings have been taken up in respect of 8.48m shares or 89.8 per cent. The issue, on the basis of one-for-three at 48p, was intended to raise about £4.27m to fund the recent purchases of Conference Associates, further acquisitions and working capital.

CCF benefits from SE boom

BY PHILIP COGGAN

THE POST-Big Bang boom in turnover may be causing headaches for securities firms but it has proved nothing but beneficial for CCF, the USM-quoted financial software house, which yesterday announced interim pre-tax profits which had more than doubled and a substantial rise in earnings per share.

CCF has benefited from the growth in stock market activity both through licence income on its software packages and in consultancy fees as companies upgraded their systems to cope with the increased volume. It is opening a new subsidiary this month which will offer an out-of-house settlement service to financial groups.

The acquisition of Downie Associates in May strengthened the group's presence in the front-office capital markets area with Downie's Super XTAS product range complementing the group's existing TUFFS and PRISM systems, which cover off-balance sheet instruments and fixed-interest securities respectively. Downie's figures are included for only one month in these results.

Pre-tax profits for the six months to June 30 were £2.24m (£861,000) on turnover 88 per cent higher at £8.65m (£4.6m). After tax of £814,000 (£395,000), earnings per share were 12.52p (4.69p). The interim dividend is being set at 1.2p (0.7p).

● comment

There have been a lot of mumblings in the City about the inadequacies of computer companies in coping wth the settlements log-jam and there may well have been a touch of market-makers revenge about yesterday's 15p share price fall to 425p. But CCF has lost no clients and so far the increased pressure on computer services has meant a lot more work. The move into front office services seems a sensible diversification and should guarantee growth, even if the equity markets go into a prolonged bear phase, and the 25 per cent of turnover provided by licence income should provide some stability to earnngs. Downie should contribute at least £1m in the second half which indicates that £5m pre-tax should be within reach this year; at just under 16, the prospective p/e is below many other software houses but whether CCF is due for an uprating, or the others are due for a downrating is harder to tell.

Woodhouse down but optimistic

THE board of Woodhouse & Rixson (Holdings), Sheffield-based forgemaster, remains optimistic about the future despite a 30 per cent drop in pre-tax profits from £628,000 to £438,000 for the six months to June 30.

Turnover is also down, from £5.75m to £5.42m. However the board has declared the same interim dividend as last year, 1.35p.

The board was optimistic that the recent upturn in sales would continue and looked forward to a positive contribution in from the recently-acquired Shildon.

After tax of £120,000 (£225,00), and extraordinary debt representing redundancy and other costs of £138,000, earnings per 12.5p share were reduced to 2.

All-round growth at T Robinson

SIGNIFICANT progress in all its divisions—process engineering, wood engineering and specialist engineering—allowed Thomas Robinson Group, the fast-growing engineering group, to boost taxable profits by almost 66 per cent in the six months to June 30 1987.

Robinson also declared an interim dividend of 2p, its first since 1981. Last year it paid a total of 3p. Earnings per 25p ordinary share worked through at 17.4p (12.1p) on a basic weighted average and 16.9p (10.8p) on a fully diluted basis.

On turnover up 47 per cent from £28.99m at £42.62m profits moved up from £2.96m to £4.91m. Comparative figures have been adjusted to include the results of Spooner Industries, WH Dickinson Engineering and Titman Tip Tools.

Mr Graham Rudd, chairman, said that all divisions were trading well in advance of budgeted expectations and reported £35m worth of orders on hand at the end of June compared with £25m at the beginning of the year. Benefits from the acquisition of Derek B. Haigh and of Hambro Machinery would start to flow through in the second half.

Further acquisitions were intended which would add greater strength and scope to existing divisions. He said that the board remained confident that the group would continue to grow steadily and again looked forward to a strong second half.

Tax charges accounted for £1.07m (£750,000) and last time's extraordinary credit of £750,000 was not repeated.

● comment

Thomas Robinson owes this interim increase to a more than doubling of profits at continuing businesses (up from £1½m to £3½m primarily due to a turnround at Wadkin) plus the impact of acquisitions. Net gearing has fallen to one-third of December's 15 per cent and the path is open to acquisitions for a mixture of cash and shares in order to build a fourth division. Most likely Robinson is examining some agreed bids—contested ones are well and truly out of favour—electrically related buying possibilities from existing public companies to put together with a number of smaller purchases already in the pipeline. This year £11½m is the profit benchmark which puts the shares at 622p on a fully diluted prospective p/e of 16¼. At this level Rudd senior's expanding engineering group looks exposed to profit taking even among those convinced of the longer term story.

Foreign stake in Rolls-Royce is under 10%

By Richard Tomkins

Rolls-Royce, the newly-privatised aero-engine maker, yesterday disclosed that the proportion of its shares so far known to be in foreign hands is still less than 10 per cent and well below the 15 per cent ceiling set by its articles of association.

Its statement to the Stock Exchange followed inquiries by US investors who are now permitted by US securities legislation to buy the shares for the first time since dealings began three months ago.

Rolls-Royce's share register will not be completed until September 22, when the second instalment on the share price is due. In the meantime, the company has said that foreign investors who pay the second instalment in advance will be treated on a first-come/first-served basis if their total shareholdings are found to exceed 15 per cent.

Rolls-Royce said yesterday that the number of foreign-held shares so far registered was still well below the maximum. In view of the interest being shown, it would make an announcement when registrations reached the 10 per cent level and at every 1 percentage point rise thereafter.

● British Aerospace said yesterday that foreign shareholdings had eased back to 13.5 per cent of its total equity, comfortably within its 15 per cent ceiling.

Olives' advisers waive right to new shares

BY RICHARD TOMKINS

The financial advisers to Olives Paper Mill, the Bury-based company considering rival aproaches from two other partes, yesterday said they had dropped their plans to subscribe for 320,000 new Olives shares to avoid any conflict of interest.

Manchester Exchange Trust had intended to support a restructuring plan put forward by Mr Michael Kent, the property developer, and others. However, a rival proposal has now been made by Mr Nathu Puri, who already holds an 18 per cent stake in Olives though his private paper and carpet manufacturing business Melton Medes.

In order to remove its financial interest in the outcome of the rival approaches, Manchester Exchange has waived its right to subscribe for the 320,000 shares in favour of the Kent party. If the Kent proposals were to succeed, the result would be to give that party 58 per cent of Olives' shares.

Olives said it was considering the rivals' proposals and expected to make an announcement shortly.

Herrburger Brooks ahead

SECOND-HALF profits were held back at Herrburger Brooks due to the costs of expansion into office furniture. Despite this, the second half produced a tripling of profits to £96,840 against £31,997, and the pre-tax result for the year ended May 31 improved by 23 per cent from £130,890 to £160,528.

Turnover for the company, a piano keys and hammers maker, rose by 17 per cent to £7m (£6m).

The response to the furniture products has been excellent, directors said, and the increase in turnover was expected to continue. The piano business had been steady in the latter half of the year and for the year as a whole good growth was achieved. New customers had been achieved in the Far East and the US, but competition was severe, causing pressure on margins.

After substantially higher tax of £47,747 (£8,964) attributable profits fell to £112,781 (£121,926) for earnings per share of 3.63p (9.33p). There is again no dividend.

Guinness buys 20% balance of Hediard

By Lisa Wood

Guinness, the international drinks group which took an 80 per cent stake in Hediard, the French speciality food and drink chain, in 1985, has bought out the remaining 20 per cent owned by Mr Phillipe Brunon, Hediard's chairman.

Guinness paid £5m for its original stake but gave no details of the price involved in the latest transaction.

Hediard has 13 outlets and a small manufacturing plant in France. It is one of the few retailing businesses that Guinness has decided to keep in its latest move to concentrate on its international drinks activities.

Meat Trade setback

Meat Trade Suppliers, butchers equipment manufacturer and supplier, reported pre-tax profits down by 50 per cent from £272,606 to £137,225 for the year ending April 4, the shares lost 50p to close at 275p.

Turnover was down 23 per cent, from £7.4m to £5.69m while earnings per share were down to 3.41p (7.09p). A final dividend of 1.825p (3.55p), making 3.6p (5.3p) for the year was recommended.

Bass buys Wings holiday group from Rank Org

BY DAVID CHURCHILL

The Bass Group yesterday bought the Wings holiday subsidiary from the Rank Organisation for an undisclosed sum. Up to 350 jobs could be lost as a result of the take-over.

The move follows Bass's acquisition earlier this year of Horizon Travel for £92m.

It also is the first major indication of the strain that several leading tour operators have been under this summer because of fierce price competition in the package holiday market coupled with considerable excess capacity in the number of holidays for sale.

Several small tour operators have already ceased trading and others are said to be in difficulties.

Rank said yesterday that the decision to sell Wings—which also includes the OSL and Blue Sky holiday companies—followed its failure to make a profit in recent years.

"While we have seen increases in both volume and brand share, market conditions will prevent the hoped for break-even position being achieved in 1987," said Mr Michael Gifford, Rank chief executive, yesterday.

Under the terms of the sale, Rank will retain responsibility for the current summer holiday programme and for the forthcoming winter holidays which are already on sale. Horizon will take charge of next summer's holiday programmes.

The 85 permanent overseas staff of the Wings operations will be retained by Horizon but the fate of the remaining 380 UK staff is yet to be decided.

Mr Robert Muckleston, chief executive of Horizon Travel, yesterday said he could not comment on reports that up to 350 jobs would be lost.

He said that the decision to acquire the loss-making Wings operations had been because of Horizon's need to boost its volume sales to keep in touch with the market leaders Thomson Holidays and Intasun.

Thomson has almost a third of the market, followed by Intasun with about 20 per cent. Horizon is third with some 10 per cent—before the takeover — while Wings has 4 per cent of the market.

H Young in £3.3m purchase

BY NIKKI TAIT

H. Young, the once-ailing motor distributor which has been expanding into financial services and distribution over recent years, yesterday unveiled its largest purchase to date. It is acquiring for £3.25m the Crofton Optical Group from Crest Nicholson, a property and industrial group, in a deal which more than doubles its asset base.

Crofton takes in both an ophthalmics division and a sunglasses division. There is also an export business and two prescription houses.

Young says the company will fit in well with its existing optical company, 20th Century Visions, which has turnover of about £3m compared with Crofton's £7m; its share of the middle/upper market in sunglasses should be about 30 per cent.

In the year to end-October 1986, Crofton saw profits fall to £212,000 before tax—compared with £664,000 in 1985 and £615,000 in the previous year. Although no profit warranties have been given, Crest is capitalising £1m of borrowings, leaving net debt at about £250,000 and giving an annual saving of £100,000 in interest charges. Net assets, as a result, increase commensurately; last October, they stood at £2.82m.

Young is paying for Crofton via a vendor placing, involving 2.166m new shares. These—plus an additional 129,212 new shares to raise just under £200,000 in cash for the company—have been placed at 150p; existing shareholders are offered a clawback on a three for ten basis. Yesterday, Young's shares were unchanged at 164p.

Few takers for Mount Charlotte share offer

By Clay Harris

Shareholders in Mount Charlotte Investments subscribed for only 6.1 per cent of the shares available as a result of the company's planned £96m purchase of three London hotels from International Leisure Group.

The balance of the shares will remain with investors with which they were originally placed. Shareholders were offered a full clawback to comply with institutional guidelines on pre-emptive rights.

Mr Robert Peel, Mount Charlotte managing director, said that the low response reflected the fall in the market price (down 1p to 149p yesterday) below the offer price of 153p. When the offer was announced last month, the offer price was just below the market level.

The result saved Mount Charlotte nearly £700,000 in commission from what it would have had to pay if the shareholders had subscribed for all the shares.

Stead & Simpson

Mr W. R. Chamberlain, chairman of Stead & Simpson, told the annual meeting that the 12 per cent improvement in footwear turnover he had noted for the first 11 weeks of the year had almost been maintained.

B & C in £39m property share sale

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

British and Commonwealth Holdings, the financial services group, yesterday severed its association of 18 years with Country and New Town Properties when it sold its 44 per cent stake to Pennant Holdings of Australia for £39.3m cash.

The stake has been on the market since last April but British and Commonwealth had an agreement with the property company that the shares would be sold in a way which would not jeopardise its future.

Pennant Holdings is a group which between 1984 and 1986 underwent substantial relationalisation. It is a holding and investment company with assets in construction, property development, property investment trusts and investment banking. Net profits in the year to June 1986 were A$7.2m.

At its purchase price of 197p a share, Pennant is paying a 21p premium on Country and New Town's net asset value at January 31 1987. Before the announcement of the purchase, Country and New Town shares on the market were standing at 190p. They closed yesterday at 195p for a rise of 5p.

Mr Gerald Newton, the chairman of Country and New Town, which has recently expanded substantially its US interests, said that the Pennant purchase was a happy outcome to the British and Commonwealth decision to sell its shares.

British and Commonwealth had originally wanted to sell its stake for what it called "good quality paper" rather than cash, but Barings, its merchant banker, explained that a change in its tax situation had led to the decision to accept cash.

The group will continue to maintain its property interests but is anxious to have them under direct control rather than in the form of investments in other companies. One of its first ventures is the redevelopment of Cayzer House, its City of London building, for which London and Metropolitan has been appointed project manager.

Caledonia plans to take 10% stake in LFC

BY CLAY HARRIS

Caledonia Investments, the investment group controlled by the Cayzer family, is expected to take a stake of as much as 10 per cent in London Forfaiting Company when the trade finance concern is floated by British & Commonwealth Holdings later this year.

B&C will reduce its stake from 85 per cent to less than 50 per cent in the flotation, which has been pencilled in for November by Schroders, the merchant bank advising LFC.

Mr Stathis Papoutes, LFC managing director, said yesterday: "I would not be surprised if Caledonia comes in with a significant chunk. They will be shareholders in LFC if we go public."

Mr Peter Buckley, Caledonia chief executive, is LFC's non-executive chairman. Until now, he has held that position by virtue of Caledonia's large stake in B&C. In June, however, Caledonia agreed to reduce its holding from 31.3 per cent to 4.9 per cent and announced plans to diversify its interests.

Mr Stathis expected Caledonia to have first refusal on at least 5 per cent of LFC but to end up with as much as 10 per cent, perhaps through an underwriting arrangement. Mr Buckley was on holiday yesterday and unable to comment.

B&C shareholders (including Caledonia) are likely to have first refusal on at least 80 per cent and perhaps all the shares which B&C will sell.

In addition to the 85 per cent holding of LFC ordinary shares, B&C also owns £30m in non-convertible preference capital inherited through its take-over of Exco International last year. The possibility of converting this stock to ordinary shares before the flotation is being studied.

The flotation and raising of additional capital is likely to give LFC a market value of up to £180m. B&C is expected to end up with a stake of 40 to 45 per cent. If Caledonia has 10 per cent and the total holding of Mr Stathis and Mr Jack Wilson, his co-founder, is diluted to 10 per cent, this would leave about 35 to 40 per cent of shares for wider distribution.

Although Mr John Gunn, B&C chairman, will remain as a non-executive director, LFC will use the flotation to emphasise its independence.

LFC plans shortly to appoint a finance director, most likely Mr Pravin Samani, group financial controller and company secretary since the company was founded in 1984.

Regentcrest

As a result of a news agency error, the FT incorrectly reported on August 11 that Mr H. D. Clark held a declarable interest in Regentcrest.

Highgate shares up again

SHARES IN Highgate & Job rose again yesterday as the market absorbed its plans for a £2m rights issue and a placing of shares which will result in interests of the Jivraj family, former owners of London Park Hotels, holding a 29.2 per cent stake in the animal feeds group.

The shares closed at 515p, up 15p on the day, for a 205p two day rise.

Mr Nurdin Jivraj and Mr Naushad Jivraj are to join the board and Highgate is expected to look for acquisitions in the fields wher ethey have most experience—hotels, property and leisure.

Robert Fraser Group, which is underwriting the rights issue, upped its stake in Highgate to 37.6 per cent earlier this year. Under the rules of the takeover code, this necessitated a formal "rule 9" offer for the group, though the bid was never meant to succeed.

In the wake of the rights issue and placing, Fraser's stake may be reduced to about 26.5 per cent.

GOLD FIELDS
OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)
A MEMBER OF THE GOLD FIELDS GROUP
Registration No. 05/17171/06

PRELIMINARY ANNOUNCEMENT OF RESULTS

	Year ended 30 June 1987	Year ended 30 June 1986
	Rm	Rm
Revenue		
Income from investments	304.4	265.2
Surplus on realisation of investments	0.6	0.1
Income from fees, interest and other sources	129.0	105.9
	434.0	371.2
Expenditure and write off	98.4	81.0
Administration, technical and general	67.5	55.4
Interest	4.9	5.3
Drilling and prospecting	25.7	20.0
Written off	0.3	0.3
Profit before tax	335.6	290.2
Tax	20.8	15.8
Profit after tax	314.8	274.4
Minority shareholders' interest	0.8	0.8
Profit attributable to group	314.0	273.6
Preference dividends	13.1	13.1
Profit attributable to ordinary shares	300.9	260.5
Extraordinary item (see note 1)	62.8	—
Unappropriated profit, brought forward	238.1	260.5
	6.7	4.1
	244.8	264.6
Less:	241.4	257.9
Dividends declared	151.2	130.8
Interim 65c (55c)	53.1	45.0
Final 120c (105c)	98.1	85.8
Transfer to reserves	90.2	127.1
Unappropriated profit, carried forward	3.4	6.7
Earnings per ordinary share—cents	368	319
Dividends per ordinary share—cents	185	160
Times ordinary dividends covered	2.0	2.0
Net assets (as valued) per ordinary share—cents	9,350	5,728

NOTES

1. EXTRAORDINARY ITEM. Provision has been made at 30 June 1987 for a potential diminution in the carrying value of the investment in Gold Fields Coal Limited as a result of adverse structural changes in the domestic and international markets for coal.

2. ANNUAL REPORT. The annual report will be posted to members in September 1987.

DECLARATION OF FINAL DIVIDEND

Dividend No. 79 of 120 cents per ordinary share in respect of the year ended 30 June 1987 has been declared in South African currency, payable to members registered at the close of business on 4 September 1987.

Warrants payable on 7 October 1987 will be posted on or about 6 October 1987.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 4 September 1987 in accordance with the abovementioned conditions.

The register of members will be closed from 5 to 11 September 1987, inclusive.

By order of the Board
per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs. G. M. A. Gledhill, Secretary

London Office:
31 Charles II Street,
St. James's Square,
London, SW1Y 4AG.

United Kingdom Registrar
Hill Samuel Registrars Limited
6 Greencoat Place,
London, SW1P 1PL

18 August 1987

Standard Chartered PLC

INTERIM STATEMENT

The Standard Chartered Group profit before taxation and exceptional items for the half-year to 30th June 1987 is £105 million.

Summary of Results	6 months ended 30.6.87	6 months ended 30.6.86	12 months ended 31.12.86
	£m	£m	£m
Trading profit before charge for bad and doubtful debts	185	181	394
Profit before exceptional items	105	131	254
Exceptional items [(loss)]	(329)	—	—
Profit before tax [profit/(loss)]	(224)	131	254
Earnings [profit/(loss)]	(279)	70	151
Earnings per share [profit/(loss)]:			
Before exceptional items	34.1p	45.1p	97.0p
After exceptional items	(179.1p)	45.1p	97.0p
Dividends per share	12.5p	12.5p	35.0p

In announcing the interim results, the Chairman, Sir Peter Graham, said:

"The Group profit (before taxation and exceptional items) for the half-year to 30th June, 1987, amounted to £105 million, and compares with £131 million for the same period last year. *The net result (after exceptional items and taxation) is a loss of £272 million*, compared with a profit of £65 million for the comparable period last year. The Directors have declared an interim dividend of 12.5p per share, which is the same as last year.

Although the Group enjoyed relatively buoyant trading conditions, the results have been adversely affected by exchange rate movements and the heavy charge for commercial bad and doubtful debts, to which has to be added the exceptional charge for cross-border exposure.

The relative strength of sterling as compared with its level a year ago reduced pre-tax profits by £11 million.

Although we had previously expected a reduction in the specific charge for loan losses, this was increased to £74 million (from £52 million). This charge included £28 million for the Union Bancorp Group, £15 million for Malaysia and £13 million for Canada. We have also made a significant addition to the general provision for bad and doubtful debts.

The larger units which made a much improved contribution at the pre-tax level this half-year include Chartered Trust, the Group Treasury in London, and the businesses in Hong Kong and Singapore. In addition, there was an exceptional profit of £71 million from the disposal of real estate in Tokyo.

We have reviewed the adequacy of provisions held against exposure to countries experiencing payment problems on their foreign debt obligations, and have determined that a substantial additional charge should be made as an exceptional item in the Profit & Loss account. Thirty-four countries are involved and our exposure to them (excluding short term trade finance and bank lines which are performing satisfactorily) amounted to £2,379 million at 30th June, made up as follows:

	£ millions
12 countries in Latin America	944
21 countries in Europe, Africa, and Asia	744
	1,688
South Africa	691
	2,379

After a detailed review, we have decided that provisions should be increased from £115 million to £515 million, thus requiring a charge in the half-year of £400 million.

On a Group-wide basis total provisions held, expressed as a percentage of period-end advances, amounted to 4.8%, as compared with 2.9% at 31st December, 1986.

Following the exceptional charge in respect of cross-border assets, shareholders' funds have been reduced to £860 million. However, the adverse impact on capital ratios is lessened by the large amounts of non-equity capital raised in recent years. The Group's permanent capital amounts to £1,946 million, and total capital resources to £2,558 million. The primary capital ratio currently stands at 5.2%.

As already announced, since 30th June terms have been agreed for the disposal of the Group's remaining 39% shareholding in Standard Bank Investment Corporation of South Africa (SBIC). In the half-year ended 30th June the contribution to Group earnings from the associate in South Africa was £16 million, and the investment was carried in the Group balance sheet at a book value of £194 million at that date, both items being translated at the *commercial rand rate of exchange*.

The terms on which the investment is being sold represent an acceptable value in rand terms, in comparison with the market price and asset backing of the shares. The proceeds will be repatriated partly through the financial rand and partly through the commercial rand. It is estimated that they will amount to approximately £153 million, and will be received by the year-end. Since the sale is at a price well above the "base cost" for UK tax purposes some UK tax liabilities will arise. After taking these into account, and the fact that part of the proceeds of sale will be received in financial rand, the result will be to reduce reserves by approximately £60 million, which will be accounted for as an extraordinary loss in the second half-year. The tax liabilities arising on the sale will be considerably less than the tax relief which we expect to obtain on the exceptional charge for cross-border exposure; £35 million of such relief has been accounted for in the first half-year. Although the sale at below book value will reduce reserves, the effect on capital adequacy will be beneficial, *since the sale will release capital invested in an associated company to become freely available capital funds.*

The capital ratios of the Group have been adversely affected by the large charge for cross-border debts and further measures will be taken to repair them. Consideration is being given to disposals where significant value exists, and it is not proposed to make public comment on individual situations until agreements are concluded. The Directors do not envisage calling on shareholders for new capital to meet these circumstances."

GROUP RESULTS

(unaudited)

	Notes	6 months ended 30.6.87	6 months ended 30.6.86	12 months ended 31.12.86
		£m	£m	£m
Trading profit before charge for bad and doubtful debts		184.7	181.0	394.4
Charge for bad and doubtful debts	1	(103.2)	(67.4)	(184.2)
		81.5	113.6	210.2
Share of profits of associated companies		23.2	17.4	43.7
Profit before exceptional items		104.7	131.0	253.9
Exceptional items:				
Charge for cross-border debts		(400.0)	—	—
Disposal of premises		71.1	—	—
		(328.9)	—	—
Profit before tax [profit/(loss)]	2	(224.2)	131.0	253.9
Tax charge	3	(48.2)	(56.6)	(96.3)
Profit after tax [profit/(loss)]		(272.4)	74.4	157.6
Minority interests		(6.3)	(4.2)	(6.6)
Earnings [profit/(loss)]		(278.7)	70.2	151.0
Extraordinary items [profit/(loss)]	4	6.6	(5.3)	(8.7)
Attributable to members of the Company [profit/(loss)]		(272.1)	64.9	142.3
Dividends	5	(19.5)	(19.5)	(54.5)
Amount transferred to/(from) reserves		(291.6)	45.4	87.8
Earnings per share [profit/(loss)]		(179.1p)	45.1p	97.0p
Dividends per share		12.5p	12.5p	35.0p

NOTES

1. The charge for bad and doubtful debts (other than the exceptional charge for cross-border debts) comprises:

	6 months ended 30.6.87	6 months ended 30.6.86	12 months ended 31.12.86
	£m	£m	£m
Specific	74.1	52.4	182.7*
General	29.1	15.0	1.5*
	103.2	67.4	184.2

*After reallocation of £71.2 million from general to specific provisions

2. Regional analysis of profit before tax *(after allocation of central expenses)*

	PROFIT/(LOSS) 6 months ended 30.6.87	6 months ended 30.6.86	12 months ended 31.12.86
	£m	£m	£m
United Kingdom	47.1	69.0	107.6
Asia Pacific	37.2	3.7	0.9
Tropical Africa	20.9	18.7	47.5
Middle East and South Asia	3.3	5.5	17.7
Europe	(2.9)	5.1	7.3
North America	(3.6)	32.3	65.8
South Africa	16.0	12.6	36.8
Central financing	(13.3)	(15.9)	(29.7)
	104.7	131.0	253.9
Exceptional items	(328.9)	—	—
Profit before tax [profit/(loss)]	(224.2)	131.0	253.9

3. Tax
The charge for tax, which reflects the estimated effective rate for the year, is based on a U.K. corporation tax rate of 35% (1986—36.25%) and comprises:

	6 months ended 30.6.87	6 months ended 30.6.86	12 months ended 31.12.86
	£m	£m	£m
Company & subsidiaries	(37.9)	(51.9)	(85.8)
Associated companies	(7.4)	(4.7)	(10.5)
Exceptional items:			
Charge for cross-border debts	35.0	—	—
Disposal of premises	(37.9)	—	—
Total tax charge	(48.2)	(56.6)	(96.3)

4. Extraordinary Items

	£m
Extraordinary items comprise:	
Profit on sale of trade investments	5.8
Tax attributable thereto	—
	5.8
Share of extraordinary profits arising in associated company	0.8
	6.6

5. Dividends
The interim dividend of 12.5 pence per share will be paid on 2nd October, 1987 to shareholders on the register on 4th September, 1987.

6. The financial information included herein for the twelve months ended 31st December, 1986 is based on the full Accounts for 1986 which have been filed with the Registrar of Companies, and on which the Auditors gave an unqualified report.

Standard Chartered

UK COMPANY NEWS

Rentokil tops £16m and set for further advance

Rentokil Group, the UK's lrgest pest control contractor, continued to progress strongly through the opening six months of 1987, raising its profits for the period from £13.1m to £16.54m at the pre-tax level.

The market, however, had discounted the 26 per cent improvement and by the close of business the shares were showing a fall of 10p at 201p.

Turnover for the half year advanced from £76.82m to £85.29m. The UK contribution to profits increased by £2.01m to £10.5m while that of the overseas interests rose from £4.61m to £6.04m.

Earnings per 10p share emerged at 5.21p (4.15p) from which the interim dividend is being stepped up from 1.025p to 1.2p net.

The directors, headed by new chairman Mr David Newbigging, said yesterday that they expected environmental services to again perform strongly in the second half (turnover here improved by £5.97m to £65.79m in the first six months) and the property care activities to continue the improvement shown in the opening period.

In all, they said the results for the full term should show a good increase over the £31.27m pre-tax achieved for the 1986 year.

First half tax took £6.52m (£5.11m) and minorities £14,000 (£26,000).

Rentokil is a subsidiary of Sophus Berendsen of Denmark.

● comment

Having built its reputation on its skills in exterminating small animals, Rentokil is now securing profits growth from the promotion of life in the vegetable kingdom. Plants At Work, which supplies and services decorative plants, is just one of the new activities Rentokil is developing in the UK to supplement its mature pest control and property care services. Other fast-growing areas include Sanitact, the sanitary towel disposal business, and Sharps Disposal Services, which collects and destory used hypodermic needles from an increasingly Aids-conscious medical profession. Meanwhile, geographical expansion of the core business continues overseas and there is £25m cash in the kitty available for more of the sort of bolt-on acquisions which provided an extra £300,000 to £400,000 at the pre-tax level yesterday. All this has enabled the City to shrug off its reservations about the Monopolies Comission report into the pest control business due by next May. With £37m in sight for the full year, the shares are on a prospective p/e multiple of 17 after yesterday's decline—a level which still leaves room for an outperformance of the market as the targeted minimum of 20 per cent per annum profits growth comes through.

Helene seeks £3m to fund acquisitions

BY FIONA THOMPSON

Helene of London, the fashion-wear manufacturer, yesterday made a triple announcement of a double takeover, a board reorganisation and a rights issue.

Helene is to buy Targatex Fabrics, a producer of woven fabrics, and Arrow Textiles, which produces knitted fabrics, for £2.7m in cash and 2.8m new ordinary shares.

An additional consideration based on Targatex's profits for the financial year ending in 1988 and Arrow's for 1989 will also be made.

To finance the acquisitions, Helene proposes to raise £3.24m after expenses by a rights issue of one new ordinary share for every six at a price of 48p.

Both Targatex and Arrow are young companies, trading since 1983 and 1984 respectively.

Targatex directors put unaudited sales for the year to May 31, 1987 at £6.1m and the company's owners have guaranteed that pre-tax profits for that period will be a minimum of £500,000. Similar amounts are warranted for the 1988 and 1989 years.

For Arrow, directors put the unaudited turnover figure for the year to June 30 1987, at £5.9m and the company's vendors have warranted the same £500,000 minimum pre-tax profits figure as Targatex for each of the years to June 1987, 1988 and 1989.

Mr Monty Burkeman, Helene's chairman, said yesterday that the acquisitions would help strengthen the whole group. Helene of London and its 11 subsidiaries would provide a good spread of customers for Targatex and Arrow.

"They are two profitable companies. Both have grown fast but have quite a bit of growth to go."

On the board reorganisation, Mr Michael Harris and Mr Paul Cohen, for many years directors and managers of major subsidiaries of Helene, are to join the board as joint managing directors of the company.

Mr Jack Nunes Vaz, of chartered accountants Jeffreys, Henry Rudolf and Marks, has been appointed finance director. Mr Norman Fetterman, executive director of Barham Group and non-executive director of Greycoat Group, and Mr Robin Walker, a director of ANZ Merchant Bank and Capel-Cure Myers, have been appointed non-executive directors.

Hepworth increases stake in T. Marshall (Loxley)

Hepworth Ceramic, the building materials group which announced a £14.1m recommended bid for fireclay refractory manufacturer Thomas Marshall (Loxley) last month, said yesterday that its stake in the company has increased to 460,000 shares or 7 per cent.

At the outset, Hepworth owned just 25,000 shares in Marshall and had irrevocable undertakings to accept in respect of 21.9 per cent of the equity. Yesterday, Marshall shares were trading at 216p, 1p below Hepworth's cash alternative but 12p higher than the current value of its paper terms. The offer is due to close on September 3.

Fleming Mercantile

Fleming Mercantile Investment Trust improved its net asset value to 279.5p per share at the half year ended July 31, against 187.1p a year earlier (and 218.2 at January 31), after deducting prior charges at redemption values.

Net revenue for the six-month period rose from £2.98m to £3.1m, for earnings per 25p share of 2.10p (2.01p). The interim dividend is unchanged at 1.5p.

Income for the half-year amounted to £5.4m (£5.16m) while management expenses and interest took £1.14m (£919,000).

London Securities' EPIC position

London Securities has clarified its intentions towards Estate Property Investment Company in which it has acquired a 25.1 per cent stake.

Under an agreement with Sun Alliance, from which it recently acquired 3.11m EPIC shares, London said it was under no obligation to make an offer for EPIC if the Takeover Panel insisted on the inclusion of a cash alternative. The share offer would be on the basis of three London Securities shares for every one in EPIC.

Randsworth has no plans to meet Lynton directors

Randsworth Trust, the fast-growing property company being built up by Mr David Holland and Mr Andrew Nichols, said yesterday that it does not currently plan to meet directors of Lynton Property & Reversionary, where it declared a 7.94 per cent interest last week.

However, Mr Holland added that Randsworth sees the stake as "a long-term investment," and that there "may or may not be" bid intentions. Lynton was formed by the merger of Property and Reversionary Investments and Lynton Holdings last December, in the face of a rival approach for the former from Speyhawk. In June, the value of the group's investment properties were put at £174m and net assets at 311p a share.

The Randsworth holding has been built up over the past couple of weeks. Yesterday, Lynton shares were trading at 390p.

Camotech details for Fort Hill buy

Camotech has revealed details of its acquisition of Fort Hill Aircraft Holdings, the Northern Irish manufacturer of aircraft seats. It is paying £1.5m in cash, plus £500,000 nominal 10 per cent unsecured loan stock and 2m ordinary shares, 28.6 per cent of the enlarged equity.

Because FAH's accounts for 1984-85 were qualified, Camotech will demote itself from the USM to the Third Market following the acquisition.

LOPEX has received further notification by companies associated with Spal Management, an Australian financial services company, that they have increased their stake in Lopex by a further 342,956 ordinary and that their holdings now aggregate 1,046,055 shares (7.47

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims: ASEA, Britannic Assurance, Fife Indmar, Paramba.

Finals: D. Y. Davies, Owen and Robinson, W. H. Smith.

FUTURE DATES

Interims—	
Barker (Charles)	†Aug 27
Blue Circle Industries	Sept 4
Gibbs and Dandy	Sept 4
Glynwed International	Aug 26
Hodgson	Aug 20
Macdonald Martin Distilleries	Aug 28
Redland	Nov 26
Willis Faber	Sept 16
Finals—	
AGB Research	Aug 28
Consolidated Gold Fields	Sept 15
Consolidated Plantations	Sept 15
Courtney Pope	Sept 25
Ewart New Northern	Aug 25
Hidong Estate	Aug 28

† Amended.

UK COMPANY NEWS

EBC profits in surprise surge at halfway stage

TAXABLE profits which more than doubled in the six months to June 30 1987 were yesterday described as "unusual" by Mr David Stoneman, chairman of USM-quoted EBC Group, Exeter-based property developer, housebuilding and building contractor.

On turnover up from £24.31m to £26.21m EBC boosted profits from £352,000 to £949,000. The directors declared an interim dividend of 3.33p (2.22p) and earnings per share increased sharply from 4.6p to 12.7p.

"We are anxious to stress that such an improvement cannot be expected in the second half," Mr Stoneman said: "However, the full year will obviously benefit from the first half performance and the company is in good heart."

At the company's annual general meeting in April he had warned that because of the weather and other factors the early weeks of the year had, not unexpectedly, been slow.

Mr Stoneman pinpointed three factors for the substantial improvement in EBC's profits.

"The building and contracting activities—our bread and butter—improved; we concluded some satisfactory property deals; and we got rid of a number of loss-making subsidiaries in the specialist activities area which cost us more than £300,000 against last year's profits. We are now a balanced organisation."

Mr Stoneman also revealed a proposed one-for-two scrip issue, requiring an increase in authorised capital to £5m.

Net borrowings were down to £332,000 compared with £128,000 last time.

Tax charges accounted for 10 per cent. of shareholders' funds. ABC Roofing Services had been sold for £54,000 to its management.

The chairman added that the climate was promising, with orders and enquiries encouraging. EBC was prepared for supply pressures on labour, materials and sub-contractors.

Unidare up at I£1.6m on slight turnover rise

Unidare, Dublin-based manufacturer of electrical cables and transformers, increased taxable profits from I£1.52m (£1.35m) to I£1.64m in the half year to June 30 1987. Turnover rose slightly from I£28.02m to I£28.68m.

The directors declared an interim payment of 3.15p — up from last time's 3p — and earnings per 25p ordinary share rose from 9.03p to 9.81p.

They said the second half had begun satisfactorily and the company expected to maintain sales volumes and profits at anticipated levels.

Unidare had achieved its targets for the first six months and as this was against a background of continuing depression in the company's home economy it implied that foreign sales had continued at better than expected levels.

The directors said that group sales were up 2 per cent in spite of reductions in sales in some areas on the home market. Domestic markets relating to the building trade had been adversely affected, with little evidence of a recovery.

Tax charges rose from £517,000 to £561,000 and minorities accounted for £146,000 (139,000).

Plasmec up 46% at half year

Plasmec, the USM-quoted manufacturer of precious metal contact springs and precision components of metal and plastic, increased its pre-tax profits by 46 per cent from £139,761 to £204,565 in the six months ended June 30 against an 11 per cent rise, from £4.17m to £4.63m, in sales.

The advance in profits was helped by a £30,000 drop to £111,780 in interest payable but there was a tax charge of £61,369 (nil) this time so the improvement in earnings was just 0.1p to 3.1p a share.

The interim dividend is increased from 0.7p to 1p; last year's total payment was 2.1p.

Aitken Hume action withdrawn

By Steven Butler

MR TIMOTHY AITKEN, TV-am chairman, has withdrawn a defamation action against Aitken Hume International, the financial services group of which he was chief executive until November 1985.

The withdrawal was "on terms acceptable to all parties," according to a spokesman for Mr Aitken. The terms were not disclosed.

The defamation action stemmed from defence documents issued during last year's hostile bid for Aitken Hume by Mr Nick Oppenheim, the financier, through his company Tranwood. The documents blamed the previous management for difficulties at Aitken Hume, the profits of which have since recovered.

A recent boardroom battle at Aitken Hume resulted in the resignation of Mr Lawrence Strenger after the board voted to oppose his re-election as a director.

COMPANY NEWS IN BRIEF

GROUP Development Capital Trust is to raise between £4.1m and £5.5m net through the issue of between 11.85m and 15.8m new shares at 36p each. The issue will be an open offer to shareholders on the basis of two-for-one. Shares not taken up will be placed with investors at the issue price.

EGERTON TRUST (healthcare, property and construction) plans to build a $35m (£22m) "English Village" in Massachusetts, US. It will consist of 172 homes on an 85-acre site.

ELSWICK rights issue of 39.23m shares was taken up in respect of 36.43m of the shares or 92.8 per cent.

ELSWICK rights issue resulted in 36.43m acceptances out of the 39.23m new ordinary. The 8 per cent of shares not taken up have been sold on the market.

SECOND Market Investment net asset value at June 30, 211.2p undiluted, 215.6p diluted. (At July 31, 196.7p undiluted, 205p diluted.)

GLYNWED's offer for the outstanding shares in Plastic Constructions has been declared unconditional. Glynwed now owns or has acceptances in respect of 60.5 per cent. Elections for the cash alternative have been received in respect of 1.2 per cent of the shares.

DIVIDENDS ANNOUNCED

CCF Group	int	1.2	—	0.7	—	2
EBC Group	int	‡3.33	—	2.22	—	7
Fleming Mercantile	int	1.5	—	1.5	—	3.75
Jaguar	int	3.7	Nov 6	3.3	—	9.5
Meat Trade Suppliers		1.83	—	3.55	3.6	5.3
Plasmec	int	1	—	0.7	—	2.1
Unidare	int	‖3.5	—	3‖	—	11.5
Rentokil	int	1.2	Nov 6	1.03	—	2.8
Thomas Robinson	int	†2	Oct 1	—	—	3
Standard Chartered	int	12.5	Oct 2	12.5	—	35
Woodhouse Rixson	int	1.35	Oct 8	1.35	—	3

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ Irish pence throughout.

APPOINTMENTS

British Gas posts

BRITISH GAS has appointed three regional deputy chairmen—Mr David Brooks to East Midlands; Mr John B. Allan to West Midlands and Mr Simon Kirk to the company's Eastern region. Mr Brooks, who has been regional director of engineering at British Gas, North Thames, since January 1984, takes up his new post on September 1. Mr Allan, who has been regional director of marketing, North Thames, since May 1982, becomes regional deputy chairman, West Midlands, on February 1 1988. Mr Kirk becomes regional deputy chairman, Eastern, on October 30, moving from regional director of marketing, the post he has held at south eastern region since 1983.

★

THE U.V. GROUP has appointed Mr John Alcock as company secretary. He has been with Union Veneers, a member of the group, for the past five years.

★

Mr Bernard John Leaver has been named a director of stockbrokers HOARE GOVETT in addition to his post as head of market making for Hoare Govett Securities. Hoare Govett is the equity securities unit of Security Pacific Merchant Bank.

★

Mr Tom Martojo, who was appointed group international director of VALIN POLLEN INTERNATIONAL last January, will join the group board on September 1. He will concentrate on developing VPI's international network in Europe and the Far East by acquiring companies with expertise in investor relations and financial and corporate communications. Mr Donald C. Carter, founder and chairman of The Carter Organisation, has joined the board of the VPI Group.

★

TATE & LYLE has appointed Mr Stephen Henwood as divisional managing director of Tate & Lyle Distribution Services,

Mr Stephen Henwood, divisional managing director of Tate & Lyle Distribution Services.

which includes Silver Roadways. Mr Henwood was previously assistant to the managing director of the UK division of Tate & Lyle.

★

Mr H. Dudley Bacon retires from the partnership of SABIN, BACON, WHITE AND CO, stockbrokers, from August 21 and will become a consultant with the firm.

★

appointed Mr Tony Burke as a director and head of swaps trading in London. He joins from Merrill Lynch in New York, where he was a vice-president in charge of currency swaps.

★

Dr Jim Walker has been appointed economist at THE ROYAL BANK OF SCOTLAND, replacing Mr Alex Salmond, who is now MP for Banff and Buckie. Dr Walker was research fellow at the Fraser of Alander Institute, specialising in Scottish international trade, the effects of new technology on the workplace, selection of research priorities in the field of renewable energy technologies and forecasting and commenting on the Scottish economy.

★

Mr Carlo Bassotti has been appointed European regional director of ALITALIA, based at the airline's regional office in London. He is now responsible for the development and control of Alitalia's 16 European markets. He was deputy sales director for foreign markets.

★

Mr Neil T. Eades, who joined ELSWICK, of Alcester, Warwickshire, as deputy chief executive last May, has been appointed a director of the group.

Mr Neil Eades joins the board of Elswick

★

International air express company DHL has appointed Mr Nick Nelson as regional manager of DHL Europe, heading operations throughout Continental Europe, Scandinavia and the Eastern Bloc. He was managing director of DHL International (UK).

★

CORAL BOOKMAKERS has appointed Mr Michael Snapes as managing director from October 1. Currently finance director he succeeds Mr John Morgan, who is leaving to join Coral's sister company, Charringtons, as managing director.

★

Mr Chris Hinks has been elected president of the WALLCOVERING MANUFACTURERS ASSOCIATION. He is sales and marketing of Brymor, and will serve as president for two years. Elected to the post of vice president was Mr Ron Shakeshaft, managing director of the House of Mayfair.

★

STEWART IVORY & CO., Edinburgh-based independent investment managers of The Scottish American Investment Company (Saints), has appointed Mr David Hume to head the marketing department. He was a vice president with Citibank.

★

RATCLIFFE INDUSTRIES, following its acquisition of Marwin, has appointed Mr David Simpkin and Mr Ernest Hopwell to the board. Mr Simpkin will become Ratcliffe's group finance director and Mr Hopwell, formally chairman of Marwin, has been appointed a non-executive director.

★

BLACKWOOD HODGE has appointed Mr Roger A. Pinnington as a non-executive director. He recently became group chief executive of RHP Group having previously been chief executive of Royal Ordnance and UBM.

★

THE REALLY USEFUL GROUP is forming a new record division and Mr Derek Everett has been named managing director. He was managing director of D. & J. Arlon Enterprises.

COMMODITIES AND AGRICULTURE

Canadian timber sales soar outside US

By David Owen in Toronto

CANADIAN SOFTWOOD lumber exports to Japan and Europe soared in the first half, helping to offset the adverse impact of a 15 per cent tax on exports to the US imposed in January.

In the five months ended May 31, exports to countries other than the US surged 34 per cent from year earlier levels to 1.25bn board feet.

Over the same period, shipments to the US fell 2.8 per cent to 6bn board feet, according to US forestry industry association figures—despite a 5.4 per cent overall increase in US softwood consumption.

The dual trend gave Canada 29 per cent of the US market in the first five months of 1987—down from well over 30 per cent in the corresping 1986 period.

The better-than-expected overseas sales have spurred Canadian mills to set new production records.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,250-2,300 (2,130-2,210).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 4.35-4.60 (3.45-3.65).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 1.90-2.10 (1.73-1.83), sticks 1.90-2.10 (1.73-1.83).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.40-6.60 (6.45-6.60).

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 270-278 (252-268).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.90-2.97 (2.85-2.95).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.40-6.00 (same).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 42-67 (42-47).

VANADIUM: European free market min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif 2.62-2.70 (same).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.90 (same).

Brazil's cocoa pact debt threatens voting rights

BY ANN CHARTERS IN SAO PAULO

BRAZIL COULD lose its right to vote at the September meeting of the International Cocoa Organisation council in London if its share of operating expenses totalling $103,000 is not paid by the end of this month.

The council meets at the close of the cocoa year to set prices to be defended by buffer stock operations under an agreement between the world's largest producers and consuming countries for cocoa and its by-products.

Because Brazil is the world's second largest producer after the Ivory Coast, responsible for 23 per cent of the world's cocoa, local producers are worried that inaction from the Government will deprive the country of its proper role in the meeting beginning on September 2. They fear that, if the meeting fails to reach a consensus on pricing producing countries may be required to retain cocoa.

Local producers claim that, since Brazil's crop is exported privately, the retention of cocoa beans would be a financial burden for the trade.

Brazil is also in arrears on payment of export taxes to the International Cocoa Organisation. The taxes charged at the rate of 2 US cents per pound exported now total about $13m. These taxes are collected from countries exporting under the international cocoa agreement to finance buffer stock purchases.

For the last two years, Brazil exported on average 385,000 tonnes. With taxes due at $45 per tonne, the country owes the international organisation for most of last crop year's exports.

Itamaraty, Brazil's Ministry of Foreign Affairs, and the government agency, Ceplac, the Executive Commission for Cocoa Crop Planning, have both asked the Ministry of Finance to pay the lesser amount due. Itamaraty is reasonably confident that the $103,000 will be paid before the meeting, but that the country's difficulties with its reserves may mean a longer delay in Brazil's contribution to financing the buffer stock.

Milk Board rejects NZ butter claim

BY DAVID BLACKWELL

BRITAIN'S MILK Marketing Board has rejected New Zealand's latest attempt to win backing for its continued access to the UK butter market. NZ butter quotas "must be cut and eventually removed," the MMB says in an article in its Milk Producer magazine.

Last week the NZ Dairy Board launched a campaign aimed at convincing Britain's farmers that the 74,000 tonnes of butter which it is allowed to sell in th eUK under special arrangements with the European Community was not a threat to British dairy farmers.

Negotiations for a new agreement with the EC are expected to beging in August next year.

The Milk Marketing Board points out in an article in this week's Milk Producer that although the New Zealand quota is agreed with the EC, it can "unfairly, only be sold into the UK market."

The gradual reduction in NZ imports since 1973, when Britain joined the EC, has not matched the fall in the size of the UK consumer market for butter, which fell 16 per cent last year. This gives New Zealand a growing market share and distorts the UK market, forcing Britain butter into intervention, says the MMB.

The NZ quotas must eventually be removed "if we are to avoid adding unnecessarily to the pain that shrinking milk quotas and tough EC prices are already inflicting on the whole (UK) industry."

Zambia outlines plan to boost copper production

ZAMBIA'S COPPER production will rise to 496,900 tonnes in the 1988-89 production year after remaining steady at 470,100 tonnes during 1987-88, according to a government economic recovery plan, Reuter reports from Lusaka.

Copper production, which accounts for about 90 per cent of Zambia's foreign exchange earnings, rose to 470,982 tonnes in 1986-87 from 463,354 tonnes the previous year, official figures show.

The 1988 and 1989 targets are included in an interim national development plan covering the period from July this year up to end 1988 and introuced after Zambia's break with an International Monetary Fund (IMF) programme last May 1.

The interim plan forecasts cobalt production, the principal by-product of copper and another important foreign exchange earner, will remain at 3,800 tonnes a year over the period covered by the program. Cobalt production in 1985-86 totalled 4,565 tonnes.

Under the plan, 338m kwacha (£27m) will be invested in the copper sector for restructuring while 187m kwacha will be invested in the coal mining sector.

One major relief for the copper sector, which has been hit in recent years by falling world prices and rising production costs, is the government's decision to revoke the mineral export tax for 1988 to keep the strategic sector's operations viable at the current fixed exchange rate of 8 kwacha to the dollar.

The government-controlled Zambia Consolidated Copper Mines Limited (ZCCM), which has a monopoly on production, recorded a net loss in the 1986-1987 financial year ended March 31 of 362m kwacha

Nymex set for propane launch

By Deborah Hargreaves in New York

THE NEW York Mercantile Exchange (Nymex) is set to launch its propane futures contract on Friday following yesterday's approval of the 1,000 barrel contract by the Commodity Futures Trading Commission.

The exchange said the gas liquids industry had shown substantial interest in the new contract. A series of seminars over the past few months in New York and Texas to explain the contract have been crowded, and the exchange is expecting a healthy start to Friday's trading.

Nymex has had a busy summer with its oil futures and options contracts trading heavily amid fears of disruption in the Gulf. Friday's launch follows the opening of a heating oil options contract in June.

The Caribbean banana bandwagon

Canute James on the region's looming overproduction problems

BEAN banana producers, encouraged by an increase in prices, are planning a significant increase in exports to Britain. But they could still be faced with a problem of oversupply in a few years if production continues to increase at the present pace.

Although the region's exporters—the Windward Islands, Jamaica and Belize—have not always been successful in their efforts to expand production officials are already speaking guardedly about the danger of overproduction.

It appears little is being done to co-ordinate output, guarantee firm prices and maintain market share.

"Everyone will suffer from what is now clear will be cut-throat competition," suggested one Windward Island Government Minister. "Because of setbacks to the Jamaican industry, our islands have gained a good foothold on the British market. We will not give that up because once we are there we have an advantage over the others."

There are indiactions that the region could offer 400,00 tonnes to Britain by 1990, about 60,000 tonnes more than average annual consumption in the UK. NO 15—8/8½

A setback to the hopes of the Windward Islands to surpass last year's record production of bananas, when about 200,000 tonnes were shipped to the UK, has done little to ease the oversupply problem. Drought followed by heavy rains earlier this year have led to reduced shipments.

Industry officials say that this is no more than a small hiccup in plans to expand production, and that they are anticipating a significant increase in shipments next year.

The Windwards — St Lucia, Dominica, St Vincent and Grenada—last year supplied 61 per cent of the British market, earning US$98.8m, according to Winban, the group's growers' association. These earnings, says the Caribbean Development Bank, were due to an increase in the average price paid for the fruit, from $394 per tonne to $480.

Last years shipments were about 45,000 tonnes more than 1985's and Winban is predicting that the group can ship as much as 300,000 tonnes by 1990.

To prepare the ground for unloading this quantity the Windward Islands plan an intensive promotional campaign for the fruit in Britain, and is negotiating with the European Development Fund for money to underwrte the programme. Miss Eugenia Charles, the Prime Minister of Dominica, recently warned producers in the four islands that more effort must go into marketing the fruit in Britain as overproduction could hamper sales.

"If adverse steps have to be taken because of this our growers will lose faith, a faith which has become buoyant and optimistic, and on which wave the industry is riding successfully," she said. "If you think your research efforts must stop at advising what chemical to buy, then you are mistaken. You must find solutions for an oversupplied market. That is also research."

The poor weather earlier this year will delay the Windward Islands' problems in dealing with possible oversupply. St Lucia, which accounts for more than a half the group's shipments, recorded an average 1,111 tonnes per shipment last month, 380 tonnes less than average shipments in July, 1986.

Mr Synvanius Fontenard of the St Lucia Banana Growers Association reported that average shipments this month had fallen to 711 tonnes. "We will not be shipping as much as last year," he said, "but if all goes well production should increase significantly next year."

According to the Caribbean Development Bank, the Windward Islands last year found alternative markets for some fruit, mainly in Italy, during the winter when demand fell in Britain.

The Jamaican industry continues to struggle for recovery following the destruction of major farms by a hurricane seven years ago, and the defection of hundreds of small farmers who had been at the core of production of export fruit.

While still urging farmers to raise production to 150,000 tonnes per year which the Government says it can sell to Britain, exports have fallen from 70,000 tonnes in 1980 — when the hurricane struck — to 12,000 tonnes in 1985 and 21,000 tonnes last year.

"The target for this year is 35,000 tonnes, but I do not think we will make it," said Mr Bobby Pottinger, chairman of the Jamaica Banana Growers Association." Up to the end of July we have shipped only 14,000 tonnes."

In restructuring the industry the Jamaican Government has encouraged the creation of large farms using new developments in agricultural technology. Mr Pottinger argues that the large farms have not worked, and that the dramatic increase in output which the government is hoping for can be achieved only through encouraging small farmers to return to the industry.

"The United Kingdom Government is no longer saying that Jamaica has access for 150,000 tonnes of bananas per year. There is a growing danger of oversupply and Jamaica is going to be squeezed."

The plans for expansion in Belize appear more attainable than those in Jamaica. The Belizean Government is encouraging the expansion of the area under bananas from 1,300 acres in 1985 to 4,000 acres. Exports of 10,000 tonnes in 1985 moved to 11,325 tonnes last year, and the aim of the industry is to ship 50,000 tonnes of fruit per year to Britain.

Philippines crops damaged by typhoon

TYPHOON BETTY, which struck the central Philippines last week, severely damaged agricultural crops in 14 provinces in the Visayas, Southern Leyte, Eastern Samar and Catanduanes regions, according to the Department of Agriculture, Reuter reports from Manila.

Giving the first official estimates of crop damage, the department said that the hardest hit province was Marinduque in the eastern region of Bicol, the country's main coconut-growing area, where 30,000 hectares planted to coconut, bananas and rice were damaged.

The department estimated that damaged coconut trees would take at least three years to bear fruit again. At current prices, total damage to agricultural crops in Marinduque could reach about 200m pesos (£6m).

About 24,000 hectares of corn in Masbate province, and large areas of rice planted in Sorsogon province, were also damaged by Betty. Damage in the two provinces was estimated at 100m pesos, the department said.

In Batangas, south of Manila, 16m pesos worth of damage was caused to banana, rice and corn areas.

● India is to press trains, road tankers and pipelines into service to supply drinking water to ensure neither people nor animals die in the current drought, Mr G. S. Dhillon, the Agriculture Minister, told parliament yesterday.

Use of edible fodder for industrial purposes and sinking of private wells are banned, fodder banks may be created and the government will if necessary override resistance from individual states to order livestock movements across state boundaries, Reuter reports.

A crisis management group has been set up to tackle the drought "on a war footing." Mr Yagendra Makwana, Minister of State for Agriculture, said.

Official figures show 262 of India's 407 agricultural districts have had poor rains or none at all. All but four of the 25 states have been hit to some extent. Those four are suffering disastrous floods.

Dhillon noted grain reserves were sufficient to avoid starvation, and the most pressing concerns were for fodder, seeds and moisture for the winter crop. He said the government would set up a national agricultural plan, advising states to concentrate on crops most suited to their climates.

LONDON MARKETS

THE GENTLE downward trend in the London Metal Exchange nickel market over the last few days turned into a significant retreat yesterday. The cash price, which had already lost £37.50 of the previous month's $550 rise, ended the day £80 lower at £3,280 a tonne. Dealers said the market was thin and atributed the sharp decline to persisten "stale bull liquidation." Sterling's strength against the dollar resulted in further downward pressure, they said. The sterling factor was also largely responsible for falls in all the other LME base metals. Cash Grade A copper closed £9 down at £1,103.50 a tonne while cash standard aluminium lost £10 at £1,157 a tonne. Aluminium's fall was cushioned, however, by covering against nearby supply tightnes. Cash zinc fell £13.75 to £493 a tonne and cash lead £11 to £412.50 a tonne. The pound's rise was the dominant influence in the coffee market too. Alhough there was no fresh fundamental news the November position ended £21.50 down at £1,274 a tonne after a day in which trading was disrupted for a while by a power failure at Commodity Quay, the London soft commodity markets' shiny new riverside home.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or —	High/Low
Cash	—	—	—
3 months	1730-30	—15	—

Official closing (am): Cash —— (——), three months 1,724-6 (1,740-4), settlement —— (——). Final Kerb close: ——. Ring Turnover: —— tonnes.

99.5% purity	£ per tonne		
Cash	1156-8	—10	1166/1158
3 months	1084-5	—21	1095/1088

Official closing (am): Cash 1,153-4 (1,158-9), three months 1,057-8 (1,079-80), settlement 1,154 (1,159). Final Kerb close: 1,085-6. Ring Turnover: 26,200 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1103-4	—9	1106
3 months	1089-90	—9	1106/1088

Official closing (am): Cash 1,107.5-8.5 (1,116-7), three months 1,092-3.5 (1,100-2), settlement 1,108.5 (1,117). Final Kerb close: 1,089-9.5.

Standard			
Cash	1102-3	—9.5	—
3 months	1085-7	—12	—

Official closing (am): Cash 1,105-6 (1,115-7), three months 1,088-90 (1,098-100), settlement 1,106 (1,117). U.S Producer prices: 80-86 cents a pound. Total Ring Turnover: 19,825 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	412-4	—11	419/412
3 months	391-1.5	—7.25	393/385

Official closing (am): Cash 417.5-8 (425-7), three months 392.5-3 (397-8), settlement 418 (427). Final Kerb close: 384-5. Ring Turnover: 13,850 tonnes. US Spot: 12-13 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3275-85	—100	—
3 months	3291-5	—104.5	[illegible]

Official closing (am): Cash 3,315.20 (3,370.5), three months 3,318-27 (3,390-5), settlement 3,320 (3,375). Final Kerb close: 3,280-90. Ring Turnover: 1,764 tonnes.

ZINC

Official closing (am): Cash 493-4 (505.5-6), three months 493.4 (505-6), settlement 496 (506). Final Kerb close: 491-2. Ring Turnover: 16,150 tonnes. US Prime Western: 47.5-48.5 cents a pound.

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	493-4	—13.75	—
3 months	491-1.5	—15.25	498/491

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.		Puts Nov.	
Aluminium 99.7%	—	—		—	
		Nov.	Jan.	Nov.	Jan.
Aluminium 99.5%	1,650	67	68	47	97
	1,675	71	57	59	111½
	1,700	56	—	—	—
Copper (Grade A)	1,725	82	61	66	92½
	1,750	67	69	72	106
	1,800	44½	—	—	—
Copper (Grade A)	£/tonne	—	—	—	—

Estimates

TIN

KUALA LUMPUR TIN MARKET—Close: 16.60 (16.52) ringgit per kg. Up 0.08.

GOLD

GOLD BULLION (fine ounce)	Aug 18	
Close	$467¼-468	(£283¼-284)
Opening	$454¼-455	(£284¼-284¾)
M'n'g fix	$454.90	(£284,366)
Aft'n'n fix	$457.50	(£283,897)
Day's high	$456¼-468¾	—
Day's low	$454-454¼	—

GOLD AND PLATINUM COINS		
Am Eagle	$470-475	(£291-294¼)
Mapleleaf	$470-473	(£291-293)
Kr'g'r'nd	$456-459	(£282¼-284¼)
½ Krug	$238½-240½	(£148¼-149)
¼ Krug	$120-121	(£74¼-75)
Angel	$467-470	(£289¼-291)
1/10 Angel	$45¼-50¼	(£28-31)
New Sov.	$107½-108½	(£66½-67¼)
Old Sov.	$107½-109	(£66½-67½)
Noble Plat.	$613-623	(£379½-386)

INDICES

REUTERS

Aug. 18	Aug. 17	M'th ago	Year ago
1661.7	1667.0	1685.2	1445.6

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Aug. 17	Aug. 14	M'th ago	Year ago
Spot	129.48	128.46	—	117.01
Fut	129.91	128.84	—	116.15

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Aug. 18 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1640/660	.....	$1650/675
Copper			
Cash Grade A	£1112.5	—9	£1014.5
3 months	£1098.5	—9	£1012.5
Gold Troy oz	$463.75	+4	$452.25
Lead Cash	£413.5	—11	£408.5
3 months	£391.25	—7.25	£385.5
Nickel			
Free Mkt	240/255c	—1	218/225c
Palladium oz	$139.50	+1.50	$140.50
Platinum oz	$597.75	+7.75	$573.00
Quicksilvert	$270/280	—5	$235/245
Silver troy oz	474.50p	+0.55	478.85p
3 months	486.50p	+0.60	488.75p
Tin			
free Mkt	£4180/190	—80	£3980/030
Tungsten	$55.69	.....	$56.21
Wolfram 22.4lb	$43/55	.....	$48/55
Zinc	£493	—13.75	£499.5
3 months	£491.25	—15.25	£494
producers	$950	.....	$960
OILS			
Coconut (Phil)	$490x	.....	$460
Palm Malayan	$320y	.....	$292.5
Seeds			
Copra (Phil)	$320t	—5	$290
Soyabean (U.S.)	$148.5	—1	$150
GRAINS			
Barley Fut. Nov.	£100.45	+0.45	£99.70
Maize	£152.00	.....	£153.50
Wheat Fut. Nov.	£101.90	+0.15	£101.45
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1398	—0.5	£1354.5
Coffee Ft. Nov	£1274	—21.5	£1224.5
Cotton A Ind.*	67.70p	+0.2	83.95c
Gas Oil Oct.	$157.5	—2.25	$159
Rubber (kilo)	59.5p	—1	59.5p
Sugar (raw)	$157.2u	+1.6	$161.4
Wooltops 64s	580p kilo	.....	478p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v Oct. x Aug-Sept. w Oct-Nov. T Sept. u Sept-Oct. y Nov.

SILVER

Silver was fixed 0.55p an ounce higher for spot delivery in the London bullion market yesterday at 474.50p US cent equivalents of the fixing levels were: spot 782c, up 8c; three-month 776.85c, up 3.2c; six-month 789.55c, up 9.8c; and 12-month 819.55c, up 9.25c. The metal opened at 474½-476p (759-761c) and closed at 481½-483p (777-779c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	474.50p	+0.55	765.5p	+11.5
3 months	486.50p	+0.60	776.5p	+9.5
6 months	495.70p	+6.75	—	—
12 months	523.10p	+0.85	—	—

LME—Turnover: Nil (nil) lots of 10,000 ounces.

Three months final kerb 789-8c.

COFFEE

Robustas closed weakly in moderate volume, reports Drexel Burnham Lambert. Monday's reports of colder weather anticipated for Brazil in mid-week appeared to be discounted as renewed trade selling eased values which encountered scale-down price fixing. A weak New York market and firmer sterling kept London under pressure.

COFFEE	Yesterday's close	+ or —	Business done
Sept	1249-1250	—24.5	1279-1247
Nov	1273-1275	—21.5	1300-1272
Jan	1295-1298	—25.0	1325-1295
Mar	1320-1322	—21.0	1348-1325
May	1343-1350	—21.5	1371-1350
July	1370-1380	—14.5	1399-1376
Sept	1390-1405	—20.0	—

Sales: 2,814 (2,381) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for August 17: Comp. daily 1979 97.01 (98.54); 15-day average 98.15 (98.08).

COCOA

Futures ended a brisk afternoon of trading almost unchanged on the day. Some light producer and consumer interest was seen for cocoa products but generally physicals were finding few takers, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
Sept	1258-1260	—	1266-1257
Dec	1297-1299	—0.6	1305-1297
March	1327-1329	—0.5	1335-1328
May	1347-1351	—0.5	1356-1348
July	1366-1370	—2.0	1375-1371
Sept	1385-1387	—3.5	1395-1386
Dec	1407-1410	—4.0	1414-1410

Sales: 2,718 (1,194) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for August 18: 1,611.89 (1,602.82); 10-day average for August 19: 1,587.09 (1,584.95).

FREIGHT FUTURES

A very nervous market saw some closing of long positions after just a ½ point decline in the BFI. The fall was mostly due to technical considerations and margin selling but trade was thin and time/charter business remained buoyant, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	1129	1159/1129	1159/1158
Jan.	1128	1158/1128	1155/1158
Apr.	1170	1190/1168	1195
July	1040/1045	1150/1145	1085
Oct.	1085/1125	—	1140
Jan.	1085/1185	—	1156
April	—	—	1163
BFI	1128.5		1129

Turnover: 317 (393).

GRAINS

Wheat firmed on the back of a steadier trend in barley, although shipper selling was a noted feature. In contrast barley enjoyed persistent shipper support which easily absorbed modest consumer and commission house selling, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
Sep.	100.30	+0.20	97.60	+0.35
Nov.	101.90	+0.15	100.45	+0.45
Jan.	104.75	+0.16	103.10	+0.40
Mar.	107.45	+0.15	105.60	+0.40
May	110.15	+0.15	107.45	+0.35
July	112.55	+0.20	—	—

Business done—Wheat: Sept 100.30-0.20, Nov 101.90-1.85, Jan 104.80-4.70, March 107.50, May 110.20, July 112.40. Sales: 159 lots of 100 tonnes. Barley: Sept 97.50-7.40, Nov 100.50-0.15, Jan 103.10-2.95, March 105.60-5.45, May untraded. Sales: 290 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: Sept 93.00, Oct 95.00, Nov 97.50. US No 2 Soft Red Winter: Sept 89.50, Oct 92.25, Nov 94.50. French 11½-12 per cent: Aug 128.00. English feed, fob: Sept 101.50-102.00, Oct/Dec 104.50-105.00, Jan/March 108.50-108.75 buyer/sellers, April/June 113.00 sellers. Maize: US No 3 Yellow/French transhipment East Coast: Aug 152.00-152.50, Sept 153.00-153.50. Barley: English feed Aug 97.50-98.00, Sept 99.50-100.50, Oct/Dec 104.50 seller English/Scottish, Jan/March 108.00-108.50 buyer/sellers English/Scottish.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 92.50, S. West 92.40, W. Midlands 91.40, N. West 92.00. The UK monetary coefficient for the week beginning Monday, August 24 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged.

POTATOES

The market was again nervous in the face of conflicting indications on crop progress both at home and abroad. April opened 50p down in line with a slightly easier Dutch quote, but quickly recovered in thin volume to trade 90p up by lunch. Selling resistance was evident throughout the morning at, or above, £129.00. Another dip in Holland set the tone for the afternoon with London bouncing around within the £128-£129 range before closing on a neutral note only slightly up on day, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	89.80	89.50	90.10-85.60
Feb.	99.00	99.00	—
March	85.50	86.00	86.00
Apr.	128.70	128.60	129.40-127.70
May	142.50	142.50	142.00

Sales: 638 (630) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) Sept.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.85-16.95	—0.075
Brent Blend	18.80-18.90	—0.025
W.T.I. (1pm edt)	19.95-20.00	—0.175
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	189-191	—1
Gas Oil	153-155	—3
Heavy fuel Oil	100-101	—3
Naphtha	164-166	—2

Petroleum Argus estimates

JUTE

JUTE — August / September c and f Dundee: BTC $530, BWC $520, BTD $450, BWD $440; c and f Antwerp: BTC $480, BWC $480, BWD $410, BTD $430.

SOYABEAN MEAL

Prices came under early commercial selling pressure on the back of firmer sterling. Values continued to move lower throughout the day with only light consumer and option buying helping to stem the tide, reports Muirpace.

	Yesterd'ys close £ per tonne	+ or —	Business done
August	—	—	—
October	125.2-125.4	—2.20	127.0-125.5
Dec.	124.5-125.0	—1.75	126.0-125.0
Feb.	126.0-127.0	—1.50	—
April	127.8-128.5	—0.65	128.0
June	124.5-125.5	—2.00	—
August	124.5-125.0	—2.25	125.0

Sales: 743 (13) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $157.20 (£96.60), up $1.60 (up 40p) a tonne for Sept/Oct delivery. White sugar $180.40, up $2.00.

	Yesterd'a close	Previous close	Business done
	$ per tonne		
No. 6 Raws			
Oct.	159.4-156.0	158.2-158.4	149.4-158.6
Dec.	145.2-146.0	142.0-145.8	145.0-144.0
Mar	155.2-155.4	154.2-154.4	156.4-154.4
May	158.8-159.4	156.0-158.6	160.0
Aug	162.4-163.4	161.4-162.6	163.0
Oct.	166.0-167.0	164.4-166.0	167.4-166.0
Dec	170.0-168.4	168.4-171.0	—
No. 5 Whites			
Oct.	181.2-1,819	177.4-178.0	182.0-178.0
Dec	182.5-182.7	178.2-180.0	182.5-180.8
Mar	167.0-169.0	155.1-156.0	159.-6156.0
May	182.8-182.4	189.0-190.0	182.0-189.0
Aug	194.9-196.9	182.4-193.4	195.8
Oct.	197.0-198.5	198.8-199.0	198.5-199.0
Dec	201.0-202.0	199.8-202.8	202.8

Sales: 1,292 (899) lots of 50 tonnes; No 5 2,227 (1,285).

Tate and Lyle delivery price for granulated basis sugar was £202.00 (same) a tonne for export.

International Sugar Agreement—(US cents a pound fob and stowed Caribbean ports). Prices for August 17: Daily price 5.80 (5.77); 15-day average 5.68 (same).

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Sept.	156.00	—2.75	158.50-56.00
Oct	157.50	—2.25	159.50-57.25
Nov.	159.50	—2.25	161.50-59.50
Dec.	161.75	—2.00	158.50-61.75

Turnover: 5,544 (6,578) lots of 100 tonnes.

US MARKETS

WEAKNESS in the US dollar helped firm the precious metals in a reaction to recent declines, reports Drexel Burnham Lambert. Good speculative, commission house and trade buying combined to sustain the rally, although profit-taking towards the close pared gains. Copper, on the other hand, fell sharply in late trading as fund selling elected commission house stops and forced local long-liquidation. Crude oil opened lower on fund selling before trade buying steadied prices for the remainder of the session to erase earlier losses. Commission house and local buying firmed sugar futures before the market encountered heavy trade resistance at the highs, forcing prices to back off slightly. Cocoa steadied on commission house and local buying but trade selling and long-liquidation pared gains. Coffee eased as local selling triggered commission house stops. Cotton eased on commission house profit-taking. Cattle futures eased, reflecting lower dressed beef prices and an over-abundance of supplies. Hogs eased, reflecting lower cash prices, while pork bellies continued to fall despite a huge discount to the cash, as the technical downside break continued. Grains were thinly traded, but reacted firmly as the dollar fell.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb	Close	Prev	High	Low
August	80.75	80.55	—	—
Sept	80.75	80.25	81.25	80.50
Oct	79.55	79.90	—	—
Dec	78.00	78.95	79.00	78.50
Jan	77.00	78.00	—	—
March	75.00	76.25	—	—
May	70.80	72.05	—	—

COCOA 10 tonnes, $/tonnes	Close	Prev	High	Low
Sept	1933	1918	1948	1926
Dec	1953	1939	1965	1943
March	1980	1964	1989	1972
May	2001	1985	2008	1993
July	2020	2007	2030	2025
Sept	2040	2030	—	—
Dec	2065	2055	2070	2070

COFFEE "C" 37,500 lb, cents/lb	Close	Prev	High	Low
Sept	102.10	103.32	103.80	102.00
Dec	106.25	107.93	107.90	106.20
March	110.16	111.80	111.75	110.00
May	112.05	113.93	113.80	112.00
July	114.25	115.45	115.00	114.25
Sept	116.13	118.50	117.00	116.50
Dec	119.00	119.38	119.00	119.00

COPPER 25,000 lb, cents/lb	Close	Prev	High	Low
August	78.35	78.80	—	—
Sept	78.00	78.80	79.85	77.80
Oct	77.30	78.15	—	—
Dec	76.10	77.35	77.80	75.80
March	74.35	75.75	76.15	74.80
May	73.90	75.25	75.65	73.80
Sept	73.40	74.50	75.15	75.15
Dec	73.40	74.80	74.80	74.80

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels	Latest	Prev	High	Low
Sept	19.90	19.88	20.05	19.78
Oct	19.90	19.89	19.91	19.00
Nov	19.81	19.84	19.91	19.55
Dec	19.80	19.81	19.75	19.51
Jan	19.80	19.80	19.70	19.80
Feb	19.80	19.80	19.80	19.85
March	19.80	19.80	19.65	19.65
April	19.80	19.81	19.68	19.55
May	19.80	19.82	19.65	19.25
June	19.59	19.82	19.59	19.80

GOLD 100 troy oz, $/troy oz	Close	Prev	High	Low
August	458.6	454.0	458.0	455.7
Sept	460.4	454.5	459.5	483.8
Oct	462.2	457.7	464.0	459.0
Dec	467.7	463.1	468.5	464.5
Feb	472.4	468.7	475.0	470.5
April	479.1	474.3	480.0	476.5
June	485.0	480.1	484.1	484.1
August	491.2	486.2	489.0	490.0
Oct	497.6	492.5	495.5	495.5
Dec	504.0	498.8	505.0	503.5
Feb	510.7	505.3	510.0	510.0
June	524.6	518.8	—	—

HEATING OIL 42,000 US gallons, cents/US gallons	Latest	Prev	High	Low
Sept	51.75	51.62	52.30	51.90
Oct	52.20	52.21	52.75	52.06
Nov	52.95	52.90	53.50	52.90
Dec	53.80	53.61	54.25	53.60
Jan	54.55	54.44	54.85	54.30
Feb	54.80	54.90	55.05	54.95
March	53.95	53.75	54.70	53.60
March	53.95	53.75	54.70	53.50
April	53.00	52.85	53.10	53.00
May	52.00	51.60	52.50	51.95
June	51.40	51.30	51.80	51.40

COTTON 50,000 lb, cents/lb	Close	Prev	High	Low
Oct	79.72	80.16	80.25	79.40
Dec	78.78	79.23	79.25	78.41
March	79.65	80.07	80.10	79.35
May	79.95	80.50	80.45	79.90
July	79.35	79.80	79.86	79.25
Oct	72.12	72.51	72.65	72.10
Dec	69.50	69.90	69.95	69.50

ORANGE JUICE 15,000 lb, cents/lb	Close	Prev	High	Low
Sept	130.30	129.50	130.40	129.50
Nov	127.20	126.46	127.20	126.90
Jan	125.25	124.40	125.40	124.40
March	125.70	125.00	125.60	125.60
May	125.98	125.15	125.75	124.75
Sept	126.15	125.35	125.50	125.50

PLATINUM 50 troy oz, $/troy oz	Close	Prev	High	Low
Aug	597.5	588.8	—	—
Oct	603.4	592.3	608.5	599.0
Jan	610.5	599.2	616.0	607.0
April	617.6	606.2	622.0	614.0
July	624.6	613.2	628.0	623.0
Oct	632.1	620.7	—	—

SILVER 5,000 troy oz, cents/troy oz	Close	Prev	High	Low
August	770.6	756.3	—	—
Sept	772.6	758.0	795.0	765.0
Oct	777.4	762.7	—	—
Dec	787.4	772.5	810.0	778.0
Jan	791.8	776.7	—	—
March	803.3	787.0	814.0	795.0
May	812.5	797.0	814.0	814.0
July	823.9	807.4	833.0	833.0
Sept	836.3	818.2	—	—

SUGAR WORLD "11" 112,000 lb, cents/lb	Close	Prev	High	Low
Sept	6.03	6.04	6.05	6.03
Oct	6.24	6.18	6.28	6.19
Jan	6.47	6.40	6.53	6.47
March	6.95	6.92	7.00	6.92
May	7.11	7.08	7.17	7.11
July	7.29	7.25	7.29	7.25
Oct	7.44	7.43	7.48	7.43
Jan	7.80	7.73	—	—

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lbs	Close	Prev	High	Low
Aug	64.45	65.27	65.00	64.27
Oct	63.55	64.32	63.80	63.20
Dec	65.35	66.30	65.90	65.25
Feb	65.37	66.22	65.95	65.25
April	66.50	67.30	66.95	66.33
June	66.00	66.67	66.25	65.75
Aug	64.40	65.10	65.25	64.40

LIVE HOGS 30,000 lbs, cents/lbs	Close	Prev	High	Low
Aug	58.40	58.75	58.42	57.97
Oct	49.05	49.02	49.10	48.35
Dec	47.20	47.40	47.30	46.70
Feb	45.37	45.47	45.50	45.17
April	42.45	42.50	42.50	42.20
June	44.20	44.02	44.20	43.85
Aug	42.87	42.77	43.00	42.75

MAIZE 5,000 bu min, cents/56lb bushel	Close	Prev	High	Low
Sept	156.0	156.4	156.8	155.0
Dec	166.2	167.4	167.6	165.6
March	176.6	177.4	177.6	176.0
May	182.0	183.0	182.4	187.2
July	184.2	185.0	185.2	184.2
Dec	191.0	192.0	191.2	190.4

PORK BELLIES 38,000 lbs, cents/lbs	Close	Prev	High	Low
Aug	61.35	63.35	61.35	61.35
Feb	65.18	65.82	65.20	64.30
March	64.82	65.37	64.97	63.95
May	64.75	65.70	64.90	64.00
July	64.30	64.50	64.30	62.80

SOYABEANS 5,000 bu min, cents/60lb bushel	Close	Prev	High	Low
Aug	530.2	526.0	532.0	529.0
Sept	508.2	508.4	510.4	507.0
Nov	50.32	504.2	506.0	501.4
Jan	509.8	509.6	511.4	507.0
March	515.4	516.2	517.4	513.2
May	520.2	521.4	522.4	518.4
July	520.4	522.2	524.4	520.0
Aug	517.4	518.0	521.0	517.4
Sept	516.0	516.0	516.0	516.0

SOYABEAN MEAL 100 tons, $/ton	Close	Prev	High	Low
Aug	164.3	163.5	164.4	162.5
Sept	159.1	159.1	159.3	157.8
Oct	155.8	156.6	156.0	154.7
Dec	154.2	154.6	156.3	153.7
March	153.7	154.2	154.0	152.5
May	152.5	153.2	153.0	152.5
July	152.3	153.3	153.0	152.3
Aug	152.5	152.7	152.5	152.5

SOYABEAN OIL 60,000 lb, cents/lbs	Close	Prev	High	Low
Aug	15.99	15.88	15.74	15.62
Sept	15.82	15.71	15.84	15.58
Oct	15.73	15.83	15.98	15.70
Dec	16.02	16.17	16.29	15.98
Jan	16.75	16.25	16.42	16.13
March	16.50	16.61	16.70	16.50
May	16.78	16.90	16.95	16.75
July	17.00	17.00	17.15	17.00
Aug	17.00	17.00	17.00	17.01
Sept	16.95	16.95	16.95	16.95

WHEAT 5,000 bu min, cents/60 bushel	Close	Prev	High	Low
Sept	270.8	272.0	274.0	270.4
Dec	287.2	287.2	289.0	286.4
March	294.8	293.4	295.8	294.0
May	283.0	282.4	283.4	282.4
July	280.0	279.8	280.4	279.0
Sept	283.0	283.8	—	—

SPOT PRICES—Chicago loose lard 14.50 (same) cents per pound. Handy and Harman silver bullion 778.0 (755.0) cents per troy ounce. New York tin 311-312 (305-310) cents per pound.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls sharply

THE DOLLAR lost ground in currency markets yesterday as a change in sentiment triggered a rash of stop loss selling. The weaker trend had started in Chicago on Monday and was continued in the Far East.

Further losses were recorded in London as the dollar had already broken through significant resistance levels. This in turn encouraged further selling. Last week's disappointing US trade figures were seen as the catalyst for the relatively rapid turnaround in sentiment.

Mot analysts were looking for a steady decline in the dollar's value to try and offset fears of a growing protectionist lobby in the US.

However the dollar's decline appeared to be fairly orderly because further tension in the Gulf left investors a little nervous.

A 0.9 per cent rise in US housing starts in July failed to have much effect. Attention will now be focused on Friday's second quarter revision to GNP figures.

The dollar closed at DM1.8440, down from DM1.8770 and Y146.05 compared with Y149.90. Elsewhere it slipped to SFr1.5275 from SFr1.5570 and FFr6.1575 from FFr6.2725. On Bank of Enggland figures, the dollar's exchange rate index fell from 104.2 to 102.9.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. July average 1.6096. Exchange rate index 72.6 unchanged from the opening and Monday's close. The six months ago figure was 69.2.

Sterling improved quite sharply against a weaker dollar but not to the same extent as other major currencies. Consequently it lost ground against the D-Mark and yen. News of a £400m net repayment in the latest PSBR figures was a little less than had been expected but had no real impact since other factors continued to try and pour cold water on fears that the UK economy was overheating. In addition much of the attention focussed on movements in the dollar.

The pound rose to $1.6170 from $1.5910 but slipped against the D-Mark to DM 2.9825 from DM 2.9875 and Y236.25 compared with Y238.50. Elsewhere it closed at SFr 2.4700 from SFr 2.4775 and FFr 9.9575 against FFr9.98.

D-Mark—Trading range against the dollar in 1987 is 1.9305 to 1.7690. July average 1.8480. Exchange rate index 146.1 against 148.1 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed lower at DM 1.8590 from DM 1.8768 on Monday.

Dollar sentiment had been reversed after poor trade figures, according to most dealers and there seemed little prospect of the dollar avoiding a further significant fall. Much will depend on the market's interpretation of this week's US 2nd quarter GNP revision and investors will be anxious to try and establish whether or not to unwind more long dollar positions.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. July average 150.25. Exchange rate index 219.1 against 209.0 six months ago.

The yen improved against the dollar in Tokyo as the latter suffered further from last week's poor trade figures. The US unit slipped to Y148.55 from Y149.20 in New York and Y150.30 in Tokyo on Monday.

With dealers detecting a basic change in sentiment, this week's revision to 2nd quarter GNP will assume a greater importance. The dollar's decline prompted a number of stop loss orders and it broke through significant chart levels.

£ IN NEW YORK

Aug. 18	Latest	Previous Close
£ Spot	1.6160-1.6170	1.5940-1.5950
1 month	0.41-0.38 pm	0.44-0.42 pm
3 months	1.20-1.16 pm	1.21-1.19 pm
12 months	3.85-3.75 pm	3.93-3.85 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Aug 18	Previous
8.30 am	72.6	72.5
9.00 am	72.5	72.5
10.00 am	72.4	72.5
11.00 am	72.3	72.5
Noon	72.5	72.5
1.00 pm	72.6	72.5
2.00 pm	72.7	72.5
3.00 pm	72.6	72.5
4.00 pm	72.6	72.6

CURRENCY RATES

Aug. 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.792997	0.696679
U.S. Dollar	5.5	1.27061	1.11960
Canadian $	8.75	*	1.48974
Austrian Sch.	4	16.5878	14.5816
Belgian Franc	7¼	48.9598	43.0820
Danish Krone	7	9.09439	7.97152
Deutsche Mark	3.0	2.35698	7.97152
Neth. Guilder	4½	2.65494	2.33783
French Franc	9½	7.86889	6.92581
Italian Lira	11.5	N/A	1501.10
Japanese Yen	2½	188.749	164.715
Norway Krone	8	8.62172	7.57350
Spanish Peseta	—	160.236	140.733
Swedish Krona	7½	8.23991	7.23538
Swiss Franc	3.5	1.95356	1.71858
Greek Drach.	20½	179.245	157.930
Irish Punt	—	N/A	0.774913

*C$/SDR rate for Aug. 17; 1.67663.

CURRENCY MOVEMENTS

Aug. 18	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.6	−20.7
U.S. Dollar	102.9	−4.7
Canadian Dollar	78.1	−10.5
Austrian Schilling	136.9	+10.1
Belgian Franc	99.5	−4.8
Danish Krone	90.6	+1.0
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Aug. 18	£	$
[illegible]	[illegible]	[illegible]
Mexico	2318.10-2331.60	1440.00-1450.00
N. Zealand	2.7105-2.7155	1.6865-1.6885
Saudi Ar.	6.0280-6.0335	3.7500-3.7505
Singapore	3.3825-3.3895	2.1040-2.1050
S. Af. (Cm)	3.3395-3.3955	2.0770-2.0815
S. Af. (Fn)	5.7385-5.9540	3.5715-3.7035
Taiwan	47.85-48.10	30.05-30.15
U.A.E.	5.9035-5.9090	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug. 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0820	+1.47	+0.81	± 1.5344
Danish Krone	7.85212	7.97152	+1.52	+0.86	± 1.6404
German D-Mark	2.05853	2.07383	+0.74	+0.86	± 1.0981
French Franc	6.90403	6.92581	+0.32	−0.34	± 1.3674
Dutch Guilder	2.31943	2.33783	+0.79	+0.13	± 1.5012
Irish Punt	0.768411	0.774913	+0.85	+0.19	± 1.6684
Italian Lira	1483.58	1501.10	+1.18	+1.09	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

August 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5965-1.6175	1.6165-1.6175	0.43-0.40c pm	3.08	1.22-1.17 pm	2.96
Canada	2.1273-2.1512	2.1495-2.1505	0.18-0.06c pm	0.67	0.46-0.32 pm	0.73
Netherlands	3.34½-3.37	3.36-3.37	1½-1¼c pm	4.68	4-3¾ pm	4.61
Belgium	61.73-62.15	62.05-62.15	20-13c pm	−3.19	54-43 pm	3.12
Denmark	11.43¾-11.48¾	11.47¾-11.48¾	¾ore-1¼ ore dis	−0.46	¼-2 dis	−0.39
Ireland	1.1085-1.1145	1.1125-1.1135	Par 0.10 p dis	−0.54	Par 0.25 dis	−0.45
W. Germany	2.97¼-2.98¾	2.97¾-2.98¾	1½-1¼pf pm	6.04	4½-4¼ pm	5.95
Portugal	232.77-236.87	234.40-235.50	81-134 c dis	−5.49	253-341 dis	−5.06
Spain	201.88-203.78	203.40-203.70	86-118p dis	−6.01	197-247 dis	−4.36
Italy	2150½-2160½	2158-2159	5-9lire dis	−3.89	13-18dis	−2.87
Norway	10.86-10.93¾	10.92¾-10.93¾	3⅝-4⅝ore dis	−4.67	10½-12 dis	−4.32
France	9.92½-9.96¼	9.95¼-9.96¼	1¼-1¼c pm	−1.81	4¼-3¼ pm	1.51
Sweden	10.38-10.43½	10.42½-10.43½	1-⅛ ore pm	0.65	1½-¼ pm	0.29
Japan	235¾-237½	235¾-236¼	1¼-1⅛ yen pm	6.35	3¾-3½ pm	6.03
Austria	20.90-21.11	20.96-20.99	10½-9¾ gro pm	5.65	30-27¾ pm	5.49
Switzerland	2.46¼-2.47½	2.46½-2.47½	1½-1¼ c pm	6.68	4-3¾ pm	6.17

Belgian rate is for convertible francs. Financial franc 62.35-62.45. Six-month forward dollar 2.28-2.23 c pm. 12-month 3.95-3.85 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Aug. 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	1.5965-1.6175	1.6165-1.6175	0.43-0.40c pm	3.08	1.22-1.17 pm	2.96
Ireland†	1.4364-1.4515	1.4505-1.4515	0.30-0.20c pm	2.09	0.95-0.75 pm	2.36
Canada	1.3293-1.3320	1.3310-1.3320	0.25-0.29c dis	−2.45	0.73-0.77 dis	−2.27
Netherlands	2.0795-2.1020	2.0800-2.0810	0.29-0.26c pm	1.58	0.87-0.82pm	1.62
Belgium	38.35-38.74	38.35-38.45	2pm-1c dis	−0.16	4pm-1 dis	0.16
Denmark	7.09-7.18	7.09½-7.10	1.80-2.50ore dis	−3.61	5.75-6.45 dis	−3.42
W. Germany	1.8435-1.8665	1.8435-1.8445	0.48-0.45pf pm	3.01	1.42-1.37pm	3.01
Portugal	145-146	145-145¼	50-150c dis	−0.12	250-450 dis	−9.60
Spain	125.35-126.45	125.40-125.50	85-105c dis	−9.04	220-250 dis	−7.45
Italy	1334¼-1351	1334¼-1335¼	7.40-8.40lire dis	−7.06	19.00-21.00dis	−5.96
Norway	6.75½-6.80¼	6.75½-6.76	4.20-4.70ore dis	−7.88	11.95-12.45dis	−7.20
France	6.15½-6.23½	6.15½-6.16	0.62-0.72c dis	−1.30	2.40-2.70 dis	−1.65
Sweden	6.44½-6.50½	6.44¼-6.45¼	1.15-1.45ore dis	−2.41	4.20-4.60 dis	−1.48
Japan	146.00-148.70	146.00-146.10	0.45-0.40y pm	3.49	1.14-1.09 pm	3.02
Austria	12.96¾-13.13¾	12.96¾-12.97¼	3.25-2.25gro pm	2.53	9.00-7.00 pm	2.45
Switzerland	1.5270-1.5465	1.5270-1.5280	0.48-0.43c pm	3.35	1.26-1.21 pm	1.91

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.55-38.65.

EURO-CURRENCY INTEREST RATES

Aug. 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10-9¾	9⅞-9¾	9⅞-9¾	10⅛-10⅛	10⅛-10⅛	10½-10⅜
U.S. Dollar	6¾-6⅝	6¹¹⁄₁₆-6⁹⁄₁₆	6¾-6⅝	7-6⅞	7¼-7⅛	7⅞-7⅝
Can. Dollar	8⅝-8⅜	8⅝-8⅜	9⅛-8⅞	9⅛-9	9⅞-9⅝	9⅞-9⅝
D. Guilder	5-4⅞	5⅛-4⅞	5⅛-5⅛	5⅜-5⅛	5⅝-5⅜	5⅝-5⅜
Sw. Franc	1½-1⅛	1½-1⅛	3⅛-3⅛	3⅞-3⅝	4⅛-3⅞	4⅛-3⅞
Deutschmark	3⅞-3⅝	3⅞-3⅝	4-3⅞	4⅛-3⅞	4⅜-4⅛	4⅝-4⅜
Fr. Franc	7⅛-7⅛	7⅝-7⅜	7⅞-7⅝	8⅛-8⅛	8⅝-8⅜	9⅛-8⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years; three years; four years; five years per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug. 18	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts fall on PSBR revision

LONG TERM gilt futures weakened on the London international Financial Futures Exchange yesterday, in response to a surprising upward revision in the cumulative borrowing requirement of the UK public sector in the first quarter.

The September contract opened lower at 116-10, as dealers showed concern about tomorrow's UK money supply and bank lending figures for July, after further strong growth in retail sales, announced Monday.

The repayment of £400m in the July public sector borrowing requirement was slightly disappointing, against forecasts of around £500m to £700m, but the main factor in the PSBR figures was the upward revision in the first quarter borrowing requirement to £1.1bn from £650m.

September gilts finished just above the day's low at 116-03, compared with 116-119 on Monday.

US Treasury bond futures fell with the weaker dollar. September delivery fell to a low of 89.27, after opening at the day's high of 90.20, and closed at 90.02, compared with 90.29 on Monday.

Traders saw the weaker trend as dollar related, in a delayed reaction to Friday's disappointing US trade figures, and renewed concern about inflation, which overshadowed encouraging news about lower oil prices.

Japanese Government bonds were firm on Liffe, in spite of a sharp rise of 10.3 per cent in July Japanese money supply. The increase was the highest since March 1982, but was not expected to result in tighter monetary policy by the Bank of Japan.

Prices in Tokyo were supported by the strength of the yen against the dollar, helped by a fall in oil prices, and by a buying operation of numbers 92 and 95 bonds conducted by the National Debt Consolidation Fund.

In London September bonds opened a little weaker at 102.60, the day's low, and rose to a peak of 103.60, before closing at 103.48, compared with 102.81 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
114	2.09	3.56	0.03	1.42
116	0.57	2.48	0.31	2.34
118	0.05	1.52	1.63	3.38
120	0.00	1.09	3.58	4.59
122	0.00	0.49	5.58	6.35
124	0.00	0.28	7.58	8.14
126	0.00	0.17	9.58	10.03
128	0.00	0.09	11.58	11.59

Estimated volume total, Calls 2,872 Puts 4,612
Previous day's open int: Calls 39,275 Puts 22,501

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
84	6.04	5.35	0.00	0.29
86	4.04	4.00	0.00	0.58
88	2.06	2.47	0.02	1.41
90	0.36	1.40	0.32	2.34
92	0.03	0.56	1.63	3.50
94	0.00	0.28	3.60	5.22
96	0.00	0.13	5.60	7.07
98	0.00	0.06	7.60	9.00

Estimated volume total, Calls 62 Puts 2
Previous day's open int: Calls 2,047 Puts 1,758

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Aug.	Calls-Last Sept.	Puts-Last Aug.	Puts-Last Sept.
22750	0.83	4.00	5.38	8.55
23000	0.40	3.15	7.45	10.20
23250	0.17	2.45	9.72	12.00
23500	0.07	1.87	12.12	13.92
23750	0.02	1.41	14.57	15.96
24000	0.01	1.05	17.06	18.10
24250	0.00	0.77	19.55	20.32
24500	0.00	0.56	22.05	22.61

Estimated volume total, Calls 22 Puts 42
Previous day's open int: Calls 426 Puts 324

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]	[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]	[illegible]

LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

[illegible]	[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT

£50,000 32nds of 100%

[illegible]	[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT BOND

[illegible]	[illegible]

THREE-MONTH STERLING

£500,000 points of 100%

[illegible]	[illegible]

FT-SE 100 INDEX

£25 per full index point

[illegible]	[illegible]

THREE-MONTH EURODOLLAR

$1m points of 100%

[illegible]	[illegible]

U.S. TREASURY BONDS 8%

$100,000 32nds of 100%

[illegible]	[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

$100,000 32nds of 100%

[illegible]	[illegible]

U.S. TREASURY BILLS (IMM)

$1m points of 100%

[illegible]	[illegible]

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

[illegible]	[illegible]

JAPANESE YEN (IMM)

Y12.5m $ per Y100

[illegible]	[illegible]

DEUTSCHE MARK (IMM)

DM125,000 $ per DM

[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM)

$1m points of 100%

[illegible]	[illegible]

STANDARD & POORS 500 INDEX

$500 times index

[illegible]	[illegible]

CURRENCY FUTURES

[illegible]	[illegible]

MONEY MARKETS

UK rates firmer

INTEREST RATES were firmer on the London money market yesterday, on nervousness ahead of tomorrow's UK money supply and bank lending figures, following Monday's higher than expected rise in July retail sales and the smaller than generally forecast repayment in the monthly public sector borrowing requirement. The PSBR repayment of £400m was lower than most forecasts of £500m to £700m.

Three-month interbank rose to 10⅛-10⅛ per cent from 10⅛-10 per cent.

Narrowly defined M0 money supply growth has been forecast to rise sharply, by about 1 per cent, although this may be largely because of special factors, including a build up of bankers balances ahead of the BAA share offer.

UK clearing bank base lending rate 10 per cent since August 7

July bank lending is expected to remain buoyant at about £3bn growth, down from £3.9bn in June, but still high when looked at with the retail figures.

The Bank of England initially forecast a money market shortage of £450m, but revised this to £350m at noon and to £250m in the afternoon. Total help of £206m was provided.

Before lunch the authorities bought £100m bank bills in band 1 at 9⅞ per cent. In the afternoon another £11m bank bills were purchased in band 1 at 9⅞ per cent.

Late assistance of £96m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £360m, with Exchequer transactions absorbing £45m, and bank balances below target £90m. These outweighed a fall in the note circulation adding £65m to liquidity.

In Frankfurt call money was unchanged at 3.85 per cent, ahead of today's tender for a 35-day securities repurchase agreement. The Bundesbank invited bids at an unchanged rate of 3.60 per cent. The result of the tender will be published today, and dealers feared the central bank would not fully replace the DM 12.8bn draining from the market as an earlier agreement expires.

Credit conditions were expected to be tight in the near future, although the improvement of the D-Mark against the dollar might lead to a slight easing of short term rates, according to dealers.

Banks' holdings of reserve holdings at the Bundesbank have fallen after a very strong opening to the month, as nervousness has increased about the credit situation in the market.

Reserve holdings fell to DM 50.6bn on Friday from DM 50.9bn on Thursday, and DM 53.6bn on Wednesday. The average daily requirement for the month is expected to be DM 52bn. During the first 17 days the average was DM 54.4bn, down from DM 55.3bn in the first 13 days.

FT LONDON INTERBANK FIXING

[illegible]	[illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day.

MONEY RATES

NEW YORK (Lunchtime)

[illegible]	[illegible]

August 18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Aug. 18	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY AUGUST 17 1987					FRIDAY AUGUST 14 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	157.98	+0.1	147.21	147.94	2.44	157.82	147.15	148.26	157.98	99.92	77.52
Austria (16)	95.11	−0.2	88.63	92.63	2.23	95.26	88.82	92.69	101.62	85.53	90.78
Belgium (48)	131.17	+0.0	122.24	126.81	3.74	131.17	122.31	126.81	133.44	96.19	87.54
Canada (129)	140.26	−0.3	130.70	135.13	2.15	140.64	131.14	135.60	141.78	100.00	97.82
Denmark (39)	113.72	+2.1	105.97	111.52	2.48	111.35	103.83	109.27	124.10	98.18	94.78
France (121)	106.96	+0.0	99.67	105.24	2.68	106.95	99.72	105.19	121.82	98.39	93.81
West Germany (92)	102.98	+0.9	95.96	100.49	1.89	102.08	95.18	99.53	102.98	84.00	92.77
Hong Kong (45)	141.15	−0.1	131.53	141.53	2.57	141.34	131.79	141.73	142.69	96.89	77.74
Ireland (14)	140.35	+0.3	130.79	138.58	3.23	139.95	130.49	138.14	145.41	99.50	89.75
Italy (76)	85.42	−2.4	79.60	86.60	2.10	87.48	81.57	88.82	112.11	84.74	101.30
Japan (458)	140.84	−0.2	131.24	133.45	0.51	141.13	131.60	133.73	161.28	100.00	100.89
Malaysia (36)	185.22	−2.0	172.60	181.30	2.02	188.94	176.18	184.98	193.64	98.24	85.06
Mexico (14)	296.29	+0.7	276.10	468.75	0.64	294.25	274.37	463.92	309.34	99.72	65.10
Netherland (38)	130.05	−0.4	121.19	125.48	3.52	130.57	121.75	126.04	130.57	99.65	97.58
New Zealand (26)	120.99	+2.7	112.75	108.52	2.70	117.78	109.82	107.23	120.99	83.93	72.93
Norway (24)	169.65	−0.7	158.09	157.39	1.73	170.77	159.23	158.43	170.84	100.00	100.03
Singapore (27)	169.86	−2.1	158.28	164.81	1.51	173.59	161.86	168.19	174.00	99.29	89.59
South Africa (61)	166.79	−0.9	155.42	132.60	3.13	168.29	156.92	133.81	198.09	100.00	80.65
Spain (43)	142.51	+0.3	132.80	137.44	2.88	142.05	132.45	137.21	144.48	100.00	96.10
Sweden (33)	124.51	−0.8	116.03	120.27	1.93	125.53	117.05	121.16	125.53	90.85	97.35
Switzerland (53)	106.50	−0.1	99.24	102.80	1.61	106.61	99.40	102.97	106.61	92.01	89.47
United Kingdom (335)	147.00	−1.4	136.98	136.98	3.22	149.03	138.96	138.96	162.87	99.65	96.92
USA (590)	136.44	+0.1	127.15	136.44	2.68	136.31	127.10	136.31	136.47	100.00	103.33
Europe (932)	122.98	−0.7	114.60	117.76	2.78	123.81	115.44	118.59	128.35	99.78	95.45
Pacific Basin (686)	141.50	−0.2	131.86	134.19	0.66	141.77	132.19	134.48	158.77	100.00	99.19
Euro–Pacific (1618)	134.15	−0.4	125.01	127.65	1.43	134.64	125.55	128.15	143.65	100.00	97.71
North America (719)	136.64	+0.1	127.33	136.39	2.65	136.54	127.31	136.29	136.75	100.00	103.03
Europe Ex. UK (597)	108.08	−0.1	100.72	105.87	2.41	108.16	100.86	105.96	108.64	98.02	94.59
Pacific Ex. Japan (228)	149.65	+0.0	139.46	143.14	2.44	149.61	139.51	143.50	149.65	99.92	78.00
World Ex. US (1822)	134.83	−0.4	125.64	128.21	1.48	135.33	126.19	128.72	143.98	100.00	97.50
World Ex. UK (2077)	134.29	−0.1	125.14	130.91	1.81	134.36	125.29	131.00	134.36	100.00	100.04
World Ex. So. Af. (2351)	135.21	−0.2	125.99	131.41	1.94	135.45	126.30	131.67	135.45	100.00	99.88
World Ex. Japan (1954)	132.84	−0.2	123.79	130.45	2.69	133.08	124.09	130.71	133.08	100.00	99.22
The World Index (2412)	135.41	−0.2	126.18	131.46	1.95	135.66	126.50	131.73	135.66	100.00	99.76

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition.

Belgian market closed August 17 for Bank Holiday.

AMENDMENTS to indices for August 14 apply to the following: The Netherlands, Europe, Euro-Pacific, Europe ex UK, World ex US, World ex UK, World ex South Africa, World ex Japan and the World Index.

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$440	329	17.50B	19	33	3	47	$458.20
GOLD C	$480	19	0.50	176	14.80	6	23	"
GOLD C	$500	—	—	51	8.50	—	—	"
GOLD P	$420	—	—	35	3.50	—	—	"
GOLD P	$440	6	0.10	23	7	—	—	"
GOLD P	$460	2	5	127	16	20	17.50	"
GOLD P	$480	568	24	250	28.50A	—	—	"

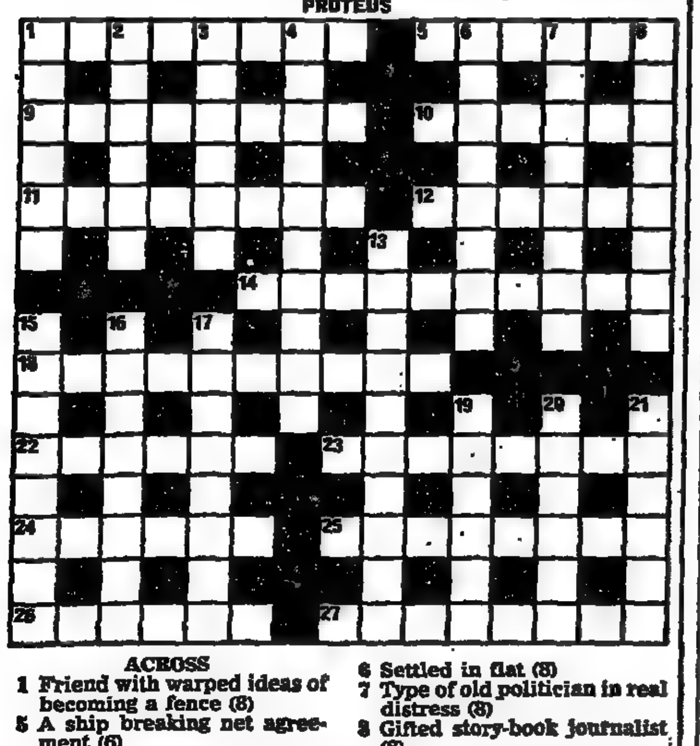
TOTAL VOLUME IN CONTRACTS: 62377

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

FT CROSSWORD PUZZLE No. 6,408

PROTEUS



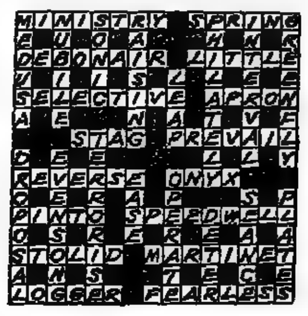
ACROSS

1 Friend with warped ideas of becoming a fence (8)
5 A ship breaking net agreement (6)
9 Object about fine words on film (8)
10 Severe examination of alternative business arrangement (6)
11 Hindrance in way of game (8)
12 Spot Japanese takeover in fruit (6)
14 Words used by sky-divers or something to that effect? (10)
18 Could assist the climb of mountain in French range (10)
22 Traveller requiring help over nappy (6)
23 He does better than child scout (8)
24 Wood is without standards of perfection (6)
25 Weapon Hank used perhaps (5-3)
26 Character of landlord (6)
27 What chairman does on having second thoughts about Army team (8)

DOWN

1 Result of father's attempt at cookery, perhaps (6)
2 Left work (6)
3 Purloins spoilt beer (6)
4 Artistic dabbler: title perhaps held by poet (10)
6 Settled in flat (8)
7 Type of old politician in real distress (8)
8 Gifted story-book journalist (8)
13 Lighter manufacturer needing union promoter (5-5)
15 Implement found by police on workman (8)
16 Obvious one to play first mother for example (8)
17 Be at the bottom of two European articles on "Falsehood" (8)
19 Sufferings in examinations (6)
20 Dodged return of Frenchman (6)
21 Bands getting king to press point (6)

Solution to Puzzle No. 6,407



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Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS. 01-280 2860

American Growth	116.4	123.1	+2.0	0.95
(Accum Units)	121.9	128.9	-2.1	0.95
British Sml Cos Fund	[illegible]	[illegible]	-1.2	2.09
(Accum Units)	50.6	53.9	-1.3	2.09
American Sm Cos Fd	54.0	57.1	-1.9	0.41
(Accum Units)	54.0	57.1	-1.9	0.41
Amer/Gilt Income	53.9	57.3	-1.0	3.46
(Accum Units)	58.8	62.2	-1.0	3.46
European Growth	157.9	167.6xd	-0.1	2.34
(Accum Units)	164.9	174.8xd	+0.0	2.34
European Income	85.1	90.0	-0.2	3.33
(Accum Units)	89.4	94.5	-0.3	3.33
General	372.2	393.8	-5.2	1.25
(Accum Units)	618.1	654.0	-8.7	1.25
Gilt	87.2	87.1	-0.4	7.59
(Accum Units)	103.7	104.2	-0.4	7.59
Global Fund	52.4	55.4	-0.3	0.46
(Accum Units)	52.4	55.4	-0.3	0.46
High Interest Fund	45.2	47.8xd	+0.6	9.82
(Accum Units)	45.6	48.2xd	+0.6	9.82
High Income Fund	92.0	96.0xd	-0.6	5.15
(Accum Units)	53.7	56.8xd	-0.6	5.15
Income	126.1	133.4	-1.3	3.24
(Accum Units)	144.5	152.9	-1.5	3.24
International	304.5	332.8	+0.2	1.23
(Accum Units)	393.5	416.6	+0.2	1.23
Japan	221.8	234.1	+1.0	0.53
(Accum Units)	227.4	250.0	+1.0	0.53
Pacific Fd	60.2	48.7	-0.5	0.30
(Accum Units)	60.2	63.7	-0.5	0.30
Recovery	312.7	330.8	-4.4	1.24
(Accum Units)	339.9	359.6	-4.8	1.29
UK Smaller Cos Fd	54.6	57.7xd	-0.4	1.84
(Accum Units)	55.0	58.2xd	-0.4	1.84
Exempt	90.0	94.3	-1.2	8.17
(Accum Units)	553.1	567.2xd	-0.9	2.22

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Aug 12	642.0	650.0	----	1.07

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	63.8	67.8	-0.6	4.43
Accum Units	63.8	67.8	-0.6	4.43

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	117.9	125.9	-1.3	1.03
PM Income and Growth	104.5	111.0	-1.0	2.85
PM N American Growth	61.6	65.5	-0.5	0.32
PM European Growth	93.0	94.7	-0.1	0.55
PM Japan Growth	73.0	77.6	+0.3	0.35
PM Overseas Growth	59.1	62.8	-0.2	0.42

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800-010545

Holborn Comm Tst.	81.9	86.4xd	-0.3	0.35
Holborn Equity Income	73.4	77.6xd	-0.9	3.32
Holborn Equity Tst.	587.6	621.7	-8	2.17
Holborn European Tst.	125.9	133.2	+0.7	.42
Holborn Gilt Tst.	207.2	216.1	-1.3	2.20
Holborn High Inc Tst.	89.7	94.9	-0.8	4.55
Holborn Intl Grth Tst.	126.3	133.6xd	-0.4	0.65
Holborn Japanese Tst.	138.1	148.3	+2.1	0.04
Holborn N. Amer. Tst.	101.4	107.2	-1	.45
Holborn Sm Cos Tst.	79.6	84.2	-0.7	1.38
Holborn Spec Sits. Tst.	104.1	110.1xd	-1.8	1.33
Holborn UK Growth Tst.	116.4	123.1xd	-1.7	1.52

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd.	679.2	734.5	----	1.37
Quadrant Income	393.4	392.9	----	3.77
Quadrant Intl. Fund	475.1	502.8	----	0.99
Quadrant Spec. Sits.	474.1	501.7	----	1.31

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	246.8	262.5	----	2.30
Reliance Unit Tst (Inc)	169.6	180.3	----	1.46
Reliance Ut Tst (Acc)	228.2	242.7	----	1.46

Rensburg Fund Managers
Salisbury Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	53.7	56.5	----	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101¾	100⅛	Treas 12pc 1987	100⅛	–⅛	11.97	10.03
99⅛	97⅛	Treas 7¼pc 1985-88‡‡	99⅛	–⅛	7.80	9.26
102¾	99⅛	Exch 10½pc '88	100⅛	–⅛	10.48	10.18
101⅛	98⅛	Treas 9½pc Cv '88	99⅛	–⅛	9.79	10.25
97⅛	93⅛	Transport 3pc '78-88	96⅛	–⅛	3.40	6.94
101⅛	98⅛	Treas. 9½pc '88	99⅛	–⅛	9.59	10.27
105⅛	101⅛	Treas 11½pc 1989	101½xd	–⅛	11.32	10.26
102⅛	97⅛	Treas 9½pc Cnv 1989	98⅛	–⅛	9.61	10.22
94⅛	89⅛	Treas 3pc 1989	93⅛	...	3.22	7.23
104¾	99⅛	Treas 10½pc 1989	100⅛	–⅛	10.47	10.29
103⅛	98½	Exch 10pc 1989	99⅛	–⅛	10.05	10.28
105¼	100⅛	Exch 11pc 1989	101⅛	–⅛	10.88	10.34
95⅛	89⅛	Treas 5pc 1986-89	93⅛	–⅛	5.35	8.32
108⅛	100¼	Exch 10¼pcCv '89	100⅛	–⅛	10.18	9.83
111⅛	105⅛	Treas 13pc 1990‡‡	105¾	–¼	12.29	10.17
106½	100⅛	Exch 11pc 1990‡‡	101½	–⅛	10.83	10.22
110⅛	104⅛	Exch. 12½pc 1990	105xd	–¼	11.90	10.25
91⅛	84½	Treas. 3pc 1990	89⅛	–⅛	3.36	7.43
100⅛	93⅛	Treas 8¼pc 1987-90‡‡	96⅛	–⅛	8.52	9.54
105	97½	Treas. 10pcCv 1990	99⅛	–⅛	10.08	10.29
89⅛	81⅛	Exch 2½pc 1990	86⅛	–⅛	2.89	7.19
110½	103¼	Treas 11¾pc 1991	104⅛	–¼	11.29	10.28
95⅛	87¼	Funding 5¾pc '87-91‡‡	90⅛	–⅛	6.38	8.97
89⅛	80¼	Treas. 3pc 1991	85⅛	–⅛	3.51	7.50
110⅛	100⅛	Treas 10pc Cv '91 ‡‡	100⅛	–⅛	9.93	9.75
109¾	101⅛	Exch. 11pc 1991	102½	–⅛	10.73	10.24
18⅛	15⅛	Treas. 8pc 1991 (£20pd)	16⅛	......	8.23	8.78
116⅛	108⅛	Treas 12¾pc 1992‡‡	108⅛	–⅛	11.74	10.25
106⅛	97⅛	Treas 10pc 1992	99⅛xd	–¼	10.07	10.17
99⅛	92⅛	Treas. 8pc 1992 ‡‡	92⅛	–⅛	8.15	8.47
108⅛	99⅛	Treas 10½pc Cv 1992‡‡	101⅛	–⅛	10.40	10.20
85⅛	81⅛	Treas. 3pc 1992	81⅛	–⅛	3.50	6.46
		Five to Fifteen Years				
115¾	106⅛	Exch. 12¼pc '92	107⅛xd	–⅛	11.38	10.26
121⅛	111¼	Exch 13½pc 1992	112⅛xd	–⅛	12.00	10.29
107⅛	97⅛	Treas 10pc 1993‡‡	99⅛	–⅛	10.08	10.17
118⅛	108⅛	Treas 12½pc 1993‡‡	109⅛	–⅛	11.41	10.28
95⅛	82¼	Funding 6pc 1993‡‡	87¼xd	–⅛	6.88	8.75
125⅛	114⅛	Treas 13¾pc 1993‡‡	115⅛	–⅛	11.92	10.32
129⅛	119⅛	Treas 14½pc 1994‡‡	119⅛xd	–⅛	12.09	10.23
124⅛	113⅛	Exch 13½pc 1994	114⅛	–⅛	11.77	10.37
107¾	97⅛	Treas. 10pc Ln. 1994‡‡	99⅛	–⅛	10.06	10.10
120⅛	106⅛	Exch. 12½pc 1994	110⅛xd	–⅛	11.32	10.36
109⅛	92⅛	Treas 9pc 1994‡‡	95	–⅛	9.47	9.96
118¼	107¾	Treas 12pc 1995	108⅛	–⅛	11.07	10.33
84¼	76	Exch 3pc Gas 90-95	83	–⅛	3.36	7.43
109⅛	98⅛	Exch. 10¼pc 1995	100⅛	–⅛	10.23	10.19
123⅛	112⅛	Treas 12¾pc 1995‡‡	113⅛	–⅛	11.25	10.29
130⅛	118⅛	Treas. 14pc '96	119⅛	–⅛	11.70	10.42
102⅛	92⅛	Treas. 9pc 1992-96‡‡	94⅛xd	–⅛	9.53	9.98
139⅛	126¼	Treas 15¼pc 1996‡‡	127⅛	–⅛	11.96	10.35
127⅛	116⅛	Exch 13¼pc 1996‡‡	116¼	–⅛	11.35	10.27
89⅛	81¼	Redemption 3pc 1986-96	84⅛	–⅛	3.59	5.30
108⅛	96⅛	Conversion 10pc 1996	98⅛	–⅛	10.12	10.18
128⅛	116½	Treas 13¼pc 1997‡‡	117⅛	–⅛	11.28	10.29
111⅛	100	Exch 10½pc 1997	101⅛xd	–⅛	10.31	10.18
101⅛	90⅛	Treas 8¾pc 1997‡‡	92¾xd	–⅛	9.47	9.96
140⅛	126⅛	Exch 15pc 1997	127⅛	–⅛	11.74	10.48
106⅛	95⅛	Exch. 9¾pc 1998	97⅛	–⅛	10.01	10.14
88⅛	78⅛	Treas 6¾pc 1995-98‡‡	80⅛	–⅛	8.34	9.63
145⅛	131⅛	Treas. 15½pc '98‡‡	132⅛	–⅛	11.68	10.43
122⅛	109⅛	Exch. 12pc 1998	111⅛	–⅛	10.78	10.26
106⅛	95⅛	Treas 9½pc 1999‡‡	96⅛	–⅛	9.81	9.95
124⅛	111⅛	Exch. 12¼pc 1999	113⅛	–⅛	10.83	10.27
113	101	Treas. 10½pc 1999	102⅛	–⅛	10.24	10.12
111⅛	99⅛	Conversion 10¼pc 1999	100⅛	–⅛	10.16	10.10
100¼	89⅛	Tr 8½pc Ln.2000‡‡	90⅛	–⅛	8.84	9.01
103⅛	91⅛	Conversion 9pc 2000‡‡	93⅛xd	–⅛	9.63	9.91
131¼	117⅛	Treas. 13pc 2000	119¼	–⅛	10.90	10.26
110⅛	98⅛	Treas 10pc 2001	100⅛xd	–⅛	10.01	10.00
134⅛	121⅛	Treas. 14pc '98-01	122¼	–⅛	11.42	10.43
108⅛	96⅛	Conversion 9¾pc 2001	98⅛	–⅛	9.93	9.99
122¾	110⅛	Exch. 12pc '99-02	111⅛	–⅛	10.77	10.26
110⅛	98⅛	Conversion 10pc 2002	100¼	–⅛	9.98	9.96
		Over Fifteen Years				
109	96⅛	Treas 9¾pc 2002	98⅛xd	–⅛	9.89	9.92
103	92	Exch. 9pc 2002	93⅛	–⅛	9.67	9.87
136⅛	123	Treas. 13¾pc 2000-03	124⅛	–⅛	11.07	10.30
111⅛	98⅛	Treas 10pc 2003	100⅛xd	–⅛	9.93	9.90
121⅛	108⅛	Treas. 11½pc 2001-04	110⅛xd	–⅛	10.43	10.09
111⅛	98⅛	Treas. 10pc 2004	100⅛	–⅛	9.91	9.88
59⅛	51⅛	Funding 3½pc '99-04	54⅛	–⅛	6.47	8.74
107⅛	95⅛	Conversion 9½pc 2004	97⅛	–⅛	9.79	9.85
107¾	95	Conversion 9½pc 2005	97¼	–⅛	9.78	9.83
116¾	103⅛	Exch.10½pc 2005	105⅛xd	–⅛	9.95	9.84
132⅛	118	Treas. 12½pc 2003-05	120⅛	–⅛	10.41	9.96
94⅛	83⅛	Treas. 8pc 2002-06‡‡	85⅛	–⅛	9.37	9.69
95	84½	Treas. 8pc 2002-06 'A' ‡‡	85⅛	–⅛	9.37	9.69
110¾	97⅛	Conversion 9¾pc 2006	99⅛	–⅛	9.82	9.82
126¼	111⅛	Treas. 11¾pc 2003-07	114⅛	–⅛	10.31	9.94
99⅛	87⅛	Treas 8½pc 2007 ‡‡	89⅛	–⅛	9.46	9.65
142⅛	126⅛	Treas. 13½pc '04-08	128⅛	–⅛	10.51	9.95
104⅛	93⅛	Treas. 9pc 2008 ‡‡	94⅛	–⅛	9.56	9.64
94⅛	82¾	Treas 8pc 2009	85⅛	–⅛	9.38	9.61
101⅛	93⅛	Conv 9pc Ln 2011	94⅛	–⅛		
69⅛	61⅛	Treas. 5½pc 2008-12‡‡	62⅛xd	–⅛	8.78	9.40
91⅛	81	Treas. 7¾pc 2012-15‡‡	82⅛	–⅛	9.40	9.57
134⅛	118⅛	Exch. 12pc '13-'17	122⅛	+⅛	9.89	9.71
		Undated				
45⅛	40⅛	Consols 4pc	41⅛	–⅛	9.70	—
40¾	35½	War Loan 3½pc‡‡	36⅛	–⅛	9.60	—
51⅛	47	Conv. 3½pc '61 Aft.	48¼	–⅛	7.34	—
34⅛	30¼	Treas. 3pc '66 Aft.	31⅛	–⅛	9.72	—
28⅛	25¼	Consols 2½pc	25⅛	–⅛	9.81	—
28⅛	25	Treas. 2½pc	25⅛	–⅛	9.70	—

BRITISH FUNDS—Contd

1987 High	Low	Stock		Price £	+ or –	(1)	(2)
		Index-Linked (b)					
131⅛	125⅛	Treas. 2pc '88	(297.1)	131⅛	–⅛	—	2.25
117⅛	108⅛	Do. 2pc '90	(333.9)	115⅛	–⅛	0.60	2.45
99⅛	93½	Do. 2pc '92‡‡	(385.8)	97⅛xd	–⅛	2.23	2.87
128⅛	119⅛	Do 2pc '96	(267.9)	124⅛xd	+⅛	3.37	3.90
111⅛	101⅛	Do 2½pc '01	(308.8)	103¼xd	–⅛	3.62	4.26
110	100⅛	Do. 2½pc '03	(310.7)	101⅛	...	3.58	4.21
113⅛	102⅛	Do. 2pc '06	(274.1)	103⅛	–⅛	3.63	4.11
108	97⅛	Do. 2½pc '09	(310.7)	97⅛	–⅛	3.59	4.04
113⅛	102⅛	Do 2½pc '11	(294.1)	102⅛xd	–⅛	3.70	3.97
95⅛	85⅛	Do. 2½pc '13	(351.9)	85⅛	–⅛	3.62	3.92
103⅛	92⅛	Do. 2½pc '16	(322.0)	93	–⅛	3.41	3.84
101⅛	91¼	Do. 2½pc '20	(327.3)	91⅛	–⅛	3.49	3.76
86⅛	77⅛	Do. 2½pc '24 ‡‡	(385.3)	77⅛	–⅛	3.41	3.69

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for December 1986: 393.0 and for July 1987: 101.8 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113⅛	99½	African Dv Bk 11¼Ln 2010	100⅛xd	–⅛	11.03	11.00
109⅛	95	Asian Dev Bk 10¼pcLn2009	97	–⅛	10.57	10.59
136	118⅛	Australia 13½pc 2010	121⅛	–⅛	11.08	10.88
118¼	102⅛	Do. 11¾pcLn2015	104⅛	–⅛	10.85	10.81
115⅛	102⅛	Euro Inv Bk 11pc Ln 2002	103⅛	–⅛	10.62	10.50
110⅛	97½	Do 10¼pc2004	98⅛	–⅛	10.49	10.50
126⅛	112⅛	Int-Am Dev Bk 12½pc 2003	113⅛xd	–⅛	11.00	10.66
104⅛	90⅛	Do. 9¾pcLn 2015	92	–⅛	10.60	10.64
97⅛	83	Mlysa 10¾pcLn 2009	89⅛xd	–⅛	12.04	12.15
102½	99⅛	Malaysia 12¾pc '88	99⅛xd		12.31	12.74
115	100⅛	NZ 11¼pc 2008	102⅛	–⅛	10.94	10.89
123⅛	102⅛	Do 11½pc 2014	105⅛	–⅛	10.94	10.90
176⅛	100⅛	Sweden 13½pc Ln 2010	122	–⅛	11.07	10.85
990⅛	96⅛	Utd. Mexican States 16½pc	99⅛xd	–⅛	16.52	16.62

CORPORATION LOANS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
109⅛	104⅛	Birmingham 13½pc 1989	105⅛	..	12.84	10.81
119	106⅛	Do. 11½pc 2012	106⅛	–⅛	10.84	10.77
95⅛	82½	GLC 6¾pc 1990-92	87xd	–1	7.76	10.10
132½	121	Leeds 13½pc 2006	121	–5	11.16	14.00
32	26	Liverpool 3½pc Irred.	26	.....	13.46	—
96	87	LCC 6¾pc '88-90	87	–1¼	7.76	12.00
31½	25	Do. 3pc '20 Aft.	26½xd	+½	11.32	—
115	105⅛	Manchester 11½pc 2007	107½	.....	10.70	10.20

COMMONWEALTH & AFRICAN LOANS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
92¼	81¼	NZ 7¼pc 1988-92	87⅛	–⅛	8.31	10.60
205	165	S Rhod 2½pc Non-Assd	195	..	—	—
78	65	Do. 4½pc 87-92 Assd.	76	..	—	—
175	120	Zimbabwe Ann (£100pd)	135	+1	—	9.19

LOANS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		Building Societies				
100⅛	99	N'wide 9⅞pc 7.9.87	99⅛xd	...	9.88	10.07
100⅛	99⅛	Do. 10⅛pc 21.9.87	99⅛	....	10.32	10.36
101¾	100⅛	Do. 11¾pc 26.10.87	100⅛	....	11.73	10.34
101½	100¼	Do. 11½pc 23.11.87	100⅛	.....	11.48	10.35
101⅛	100	Do. 11⅛pc 21.12.87	100⅛	.....	11.53	10.41
101⅛	100⅛	Do. 11¼pc 18.1.88	100¼	...	11.10	10.32
101½	100	Do. 10⅛pc 15.2.88	100⅛xd	...	10.79	10.33
101⅛	100	Do 10½pc 7.3.88	100¼	...	10.49	10.35
101⅛	99⅛	Do. 9⅛pc 11.4.88	99⅛	..	9.97	10.41
102	98	Do. 9⅛pc 3.5.88	99⅛	.....	9.76	10.65
101	98⅛	Do. 8⅞pc 23.5.88	98⅛	.....	8.99	10.47
100⅛	98⅛	Do. 8⅛pc 20.6.88	98⅛	.....	9.06	10.49
100⅛	98⅛	Do. 9⅛pc 11.7.88	99⅛	...	9.71	10.58
102⅛	92⅛	Do. 3⅞pcIL Ln 2021	92⅛	–½	4.32	4.47
		Public Board and Ind.				
92⅛	87	Agric. Mt. 5pc '59-89	90½	.....	5.52	10.50
48	40	Met. Wtr. 3pc 'B'	41xd	.....	7.32	10.53
		Financial				
103½	98	Inv in Ind 11pc UnLn '88	99⅛xd	.....	11.06	9.30
107	101	Do. 11¼pc Uns.Ln. '90	101xd	.....	11.63	10.60
98⅛	89½	Do 7¼pcA 0d89-92	92½xd	....	7.84	10.20
113½	103½	Do. 12½pc Un. Ln. 1992	105½xd	.....	11.85	10.30
98⅛	81⅛	Do. 7¼pcA '91-94	94	.....	7.71	8.90
101½	89⅛	Do. 9pcA '91-94	99	.....	9.09	10.00
100	85⅛	Do. 8⅞pcLn '92-97	91	.....	9.75	8.75

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53		3.50	16.60
50	40	Do 6pc 28 Stb. Ass.	50xd		3	16.00
50	45	Do 4pc Mixed Ass.	50		2	14.26
66	58	Hung. '24 Ass.	65		2.75	14.23
146½	122⅛	Hydro Quebec 15pc 2011	131⅛	–⅛	15.30	11.15
136¼	115⅛	Iceland 14½pc Ln 2016	124⅛xd	–1	14.50	11.56
103½	94	Ireland 9¾pc '91-96	95⅛xd		9.75	10.30

AMERICANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
42	32⅛	Abbott Laboratories‡	40¼	–⅛	$1.00	—	1.5
40¾	24⅛	Alcoa $1	38½	+½	$1.20	—	1.9
18⅛	15	♦Allegheny & W $0.01	15	–¼	30c	—	1.2
19⅛	8⅛	Amax $1	16⅛	+⅛	—	—	—
27⅛	17¼	Amdahl 5c	26⅛	–⅛	20c	—	0.5
35⅛	25⅛	Amer. Cyanamid $5	34⅛	–½	$1.90	—	3.4
25⅛	18	Amer. Express $0.60	24⅛xd	+¼	$2.44	—	5.5
12⅛	10	Amer. Medical Int. $1	12½	–¼	47c	—	3.5
22½	14¼	American T & T $1	21¼	–⅛	$1.20	—	3.4
63	46⅛	Ameritech $1	60	–⅛	h$4.72	—	4.8
21⅛	15½	Amfaci	21⅛	–⅛	—	—	—
25	17⅛	Anheuser-Busch $1	24⅛	+¼	$2.00	—	5.0
85½p	45p	♦AndTechI	85½p	+1½	—	—	—
10¼	6⅛	BankAmerica $1⅛	8⅛	+⅛	—	—	—
34⅛	25⅛	Bankers N.Y. $10	32⅛	–⅛	$1.66	—	3.1
663p	340p	BASIX Corp	344p	–2	12c	—	2.1
49½	30⅛	Bell Atlantic $1	47¼	+¾	$3.84	—	5.0
27	21	BellSouth Corp	27	+⅛	$2.04		4.6
11⅛	4¼	♦Bethlehem Steel $8	10¼	–⅛	—	—	—
20½	10½	Bio-Rad Labs. Inc. 'A'	16½	–⅛	—	—	—
26⅛	18⅛	Bowater Inc.	24⅛	–⅛	80c	—	2.0
21⅛	15⅛	Browning-Ferris 16⅔c	20⅛	–⅛	h40c	—	1.2
16⅛	12¼	Brunswick	18⅛	–⅛	60c	—	1.0
36⅛	25⅛	CPC Intnl 25c	35⅛	–⅛	h$1.24	—	2.2
25⅛	18	CSX Corp U S $1.00	25⅛		$1.16	—	2.8
25⅛	17⅛	CalFed Inc $1.00	22⅛		60c	—	1.7
43⅛	36⅛	Campbell Soup 30c	41⅛	–⅛	$1.44	—	2.1
42	27⅛	Caterpillar Inc $1.00	41⅛xd	+⅛	50c	—	0.7
629p	374p	Cenergy Corp 25c	613p		4c	—	0.5
28⅛	20⅛	Chase Manhattan $12.5	28⅛	–⅛	$2.16	—	4.6
32⅛	23⅛	Chemical New York	28	+⅛	$2.72	—	6.0
28⅛	16⅛	Chrysler $6¼	27⅛	–⅛	♦$1.00	—	2.2
43⅛	29⅛	Citicorp $4	42	–⅛	$2.46	—	3.6
806p	446p	CityFed Fin. Corp.	613p		40c	—	4.0
33	23⅛	Colgate-Palmolive $1	32⅛xd	–⅛	$1.36	—	2.6

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
140	84	Anglo-Domanian	95		—	—	—
90	21	♦Colby Res Corp.	46	–1	—	—	—
*300	127	Cons. Murch. 10c.	280	+10	060c	4.4	6.5
*70½	37½	♦Ennex Int. Ir10p.	61	–1	—	—	—
402	151	Greenwich Res.	371		—	—	—
£13½	963	Hemlo Gold Mines	£12¼	+¼	—	—	—
355	199	♦Highwood Res.	290		—	—	—
£29½	£16⅞	Homestake Mining $1.	£27	+⅛	020c	—	0.5
455	150	♦McFinley Red Lake	403		—	—	—
166	86	♦Mustio Explorations	114		—	—	—
160	27½	♦New Satma Res C$1	135	+2	—	—	—
598	200	Northgate C$1	500	+3	—	—	—
237	104	Nor-Quest Resources	130		—	—	—
£14½	698	RTZ	£12¾	–⅛	23.5	2.7	2.5
£359¾	£113¾	Do. 9½pcLn '95-2000	£263½	–5	Q9½%	37.5	(3.6
32½	11	♦Thorco Res. Inc.‖	28		—	—	—

THIRD MARKET

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
485	180	Abelson Group 10p	425	+20	3.5	2.7	1.1	45.7
45	28	Aberdeen Am Pet 10p	44		—	—	—	—
130	110	Allied Ins. Brokers	127		L3.5	2.5	3.9	14.7
83	61	Americour Energy 10p	63		—	—	—	—
111	88	Andaman Res. 10p	90		—	—	—	—
46	9	Ardmore Pet. 'A'	23		—	—	—	—
285	102	Broadcast Comms.	228	–2	—	—	—	—
98	45	Catalyst Comms. 5p	78	–1	—	—	—	32.4
200	158	Chelsea Artisans 5p	158		—	—	—	21.2
180	150	Comac Group 5p	153	–2	—	—	—	—
151	47	Corton Beach 10p	113	–13	0.4	♦	0.5	♦
200	150	Crown Eyeglass 5p	152	–3	—	—	—	—
For Edenspring Inv see Broadcast Comms.								
*62	18	Eglinton Oil Ir.5p	29	–1	—	—	—	—
41	17	Do Warrants	19		—	—	—	—
186	101	Far East Res. 10p	148	–3	—	—	—	—
75	55	Gardner (J.) 5p	69		R1.25	2.3	2.5	23.9
87	70	Lynx Tech. 5p			b—	—	—	8.6
82	17	Publishing Hldgs.5p	61	–6	—	—	—	35.3
76½	45½	Theme Holdings	67	–1	1.0	1.9	2.0	35.9
153	140	UPL Group 10p	145	–2	L2.41	2.8	2.3	—
140	111	Unit Group	140d		R4.6	2.5	4.5	(10.0)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	93	+2
Craig & Rose £1	588xc	+38
Finlay Pkg. 5p	172	–5
Holt (Jos) 25p	1003	–2
IoM Stm. £1	138	+2
IRISH		
Fund 11¼% 1988	£100¼	.....
Nat. 9¼% 84/89	£97¼	.....
Fin. 13% 97/02	£163⅝	.....
Arnotts	365	+10
CPI Hldgs	85	.....
Carroll Inds.	170	.....
Dublin Gas	15	.....
Hall (R. & H.)	135	+5
Heiton Hldgs.	51	+1
Irish Ropes	215	+25
Unidare	430	–10

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	20
BAT	55
BOC Grp.	45
BSR	17
BTR	30
Babcock	19
Barclays	52
Beecham	50
Blue Circle	50
Boots	25
Bowaters	50
Brit Aerospace	55
Brit. Telecom	32
Burton Ord	35
Cadburys	22
Charter Cons.	40
Comm Union	30
Courtaulds	45
FNFC	30
Gen Accident	95
GEC	24
Glaxo	200
Grand Met.	55
GUS 'A'	175
Guardian	90
GKN	30
Hanson Tst.	15
Hawker Sidd	50
ICI	125
Jaguar	52
Ladbroke	40
Legal & Gen	32
Lex Service	45
Lloyds Bank	50
Lucas Inds.	62
Marks & Spencer	22
Midland Bk	55
Morgan Grenfell	35
NEI	12
Nat West Bk	65
P & O Dfd	65
Plessey	22
Polly Peck	28
Racal Elect	24
RHM	30
Rank Org Ord	70
Reed Intnl	45
STC	30
Sears	15
TI	34
TSB	10
Tesco	55
Thorn EMI	70
Trust Houses	24
Turner Newall	28
Unilever	300
Vickers	20
Wellcome	42
Property	
Brit Land	25
Land Securities	45
MEPC	42
Peachey	45
Oils	
Brit Petroleum	32
Britoil	32
Burmah Oil	45
Charterhall	6
Premier	11
Shell	110
Tricentrol	11
Ultramar	24
Mines	
Cons Gold	95
Lonrho	26
Rio T Zinc	90

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Aug 10	Aug 20	Aug 21	Sept 1
Aug 24	Sept 10	Sept 11	Sept 21
Sept 14	Sept 24	Sept 25	Oct 5

* New time dealings may take place from 9.00 am two business days earlier.

Equities dip again as markets encounter another bout of near-term uncertainty

Leading stocks weakened late in the day as the UK security market witnessed another bout of uncertainty over the near-term outlook. Volume was even smaller than on Monday as the majority of investors were either unwilling to open new positions ahead of tomorrow's monetary statistics, or were reserving funds for the substantial cash calls due over the next few weeks. Professional traders tended to operate on the bear tack and the upshot was a one-way business, particularly after the Wall Street opening yesterday. This left the FT-SE 100-share index 34.8 down at 2224.8.

The US market's surge to a record level on Monday and removal of speculation concerning another major fund-raising operation failed to calm increasing fears over the heavy demands being made on financial markets. Standard Chartered's interim statement contained no plans for a rights issue, rumoured strongly the previous session, and the provision against LDC debt was generally smaller than expected at £400m. But the banking group announced later that it intended to raise £300m through disposals.

Other factors unsettling the market included further gossip that at least one broker had needed financial assistance, albeit of a temporary nature, to cover losses sustained recently. A leading marketmaker was also said to be still having problems.

Sterling's strong performance against the dollar, which accompanied slightly higher rates for short-term credit in London money markets, also tended to sap confidence. Financial data too was a trifle disappointing with last month's PSBR net repayment of £400m falling short of market estimates of around £500m and £600m. The second-quarter output-based GDP rise of 0.75 per cent raised few eyebrows.

Although equity trade was described as thin, several Alpha stocks suffered double-figure losses. Jaguar dipped after announcing half-yearly profits below expectations but Hill Samuel led merchant banks higher, before its listing was suspended awaiting an announcement. It is assumed that Union Bank of Switzerland will soon unveil bid terms. After the close of business, Guinness Peat informed shareholders of a takeover approach from Equiticorp, which is contemplating a full bid at no higher than 110p per share.

Investors showed a negative attitude towards the bond market. Retail interest was again miniscule with business largely representing inter-market play relating to ticks, either up or down, in the Gilt futures market. An example of the indecision currently affecting the market was provided by a marketmaker who, believing last week that a base had found, cut his book. The ensuing sales forced quotations easier before they rallied to close only marginally off on the day.

Standard Chartered Bank staked an initial strong rally as the much-rumoured £400m rights issue failed to materialise; however, in mid-afternoon the market was shaken by the announcement of the company's intention to raise some £300m by the disposal of non-core assets over the next year to shore up its capital base. Standard's shares recovered from 750p to 790p after the interim figures, which included a £400m provision against third world debts, but retreated just as quickly to close only a net 23 higher on the day at 773p.

Mike Fesemeyer, bank analyst at securities house Savory Milln, said Standard Chartered shares show "short-term speculative interest for the brave" but that "long-term, the bank's fundamentals are poor."

Jaguar failed to provide any favours to an already nervous market by revealing extremely disappointing interim figure. Stated pre-tax profits, after allowing £15m for launch costs of the new saloon range, came out at £45.7m—some £8m below most City estimates. The shares reacted accordingly to finish 23 lower at 562p.

While describing the results as a "big shock," Tony Lancelott at Chase Manhattan Securities expects Jaguar to achieve a "dramatic increase in sales and earnings for 19898 to 1990" and anticipates that the group will attan a pre-tax profit of between £140-£145m next year.

The Standard Chartered news helped the big-four clearers register minor gains early on but the subsequent retreat by Standard and a subtantial decline by Wall Street and UK equities saw the banks retreat in sympathy.

Badclays sttled 15 off at 538p while **Midland** gave up 8 to 445p and **NatWest** a like amount at 725p. **TSB** were an active market and drifted back 1½ to 81½p on a turnover of 7.1m shares as small investors sold the stock ahead of the second and final 50p payment on the shares, which has to be paid by September 8.

The suspension of trading in **Hill Samuel**—they were quoted at 763p prior to the company's request for a halt—triggered a fresh upsurge in other merchant banks although best levels were not always held. Terms of the Union Bank of Switzerland's bid for Hill Samueal are imminent and dealers are looking for a minimum 800p a share, valuing Hill Samuel at around £740m. Australia's FAI Insurance hold a 14 per cent stake in Hill Samuel and Kerry Packer's Consolidated Press holds a 12 per cent interest. **Hambros**, touched 368p but ran back to end the day only a penny up at 359p while **Morgan Grenfell**, where Alan Bond is rumoured to have picked up a stake over the past week or so, advanced 3 to 570p. **Guinness Peat** moved up late to close 5½ up at 108½p after the rump of the rights issue was placed, and New Zealand group Equiticorp said it may launch an offer. Insurances were lower across the board. Dealers said brokers were particularly hard hit by the appreciation in sterling which has a marked effect on dollar earnings **Sedgwick**, a firm market over the past week, dipped 13 to 314p as BZW labelled the shares a "short-term sell."

Breweries continued to give modest ground as dealers reported yet another quiet, but sensitive trade. **Whitbread A** were hardest hit, falling 13 to 330p; Chase Manhattan Securities recently advised clients to switch holdings to **Bass**. The latter touched 926p before settling only a net penny up at 921p following the announcement that its Horizon Travel subsidiary is to purchase **Rank Organisation's** package holiday business — encompassing the Wings, OSL and Blue Sky names — for an undisclosed sum, believed to represent less than 1 per cent of Bass's net assets. Rank eased 5 to 714p on the news.

Movements in the Building sector were usually against holders, but **EBC** featured a jump of 22 at 317p in response to the bumper interim figures and proposed one-for-two scrip issue. On the other hand, **Taylor Woodrew**, scheduled to reveal half-year results on September 1, remained on offer and gave up 23 further to 450p. **J. Mowlem** were also noteworthy for a fall of 17 at 460p, while **Costain Group**, a recent speculative, favourite, gave up 11 to 249p.

ICI drifted back to close ⅛ lower at £14¼ in a small volume of business.

Plessey, scheduled to announced first quarter results on Thursday, were persistently sold and fell away to close 5 lower at 188p after a turnover of 7.8m shares. **Racal**, one of last week's best performers, dipped 9½ to 295p, with 7.3m shares changing hands, while profit-taking lowered **International Signal** 5 to 220p; the management are currently visiting UK brokers and institutions and are soon to move on to Italy. **BICC**, reporting interim figures on September 9, fell 11 to 367p. **Wholesale Fittings** lost ground for the third successive session, closing 7 easier at 465p but security shares made progress, led by **Holmes Protection**, up 6 at 155p after Press comment.

Among the Engineers companies regarded as possible bid targets for BTR reacted sharply with **Lucas** falling 11 to 723p. **Hawker** 17 to 547p and **GKN** 18 to 386p. Resisting the downward trend elsewhere in the sector, **Thomas Robinson** closed 7 to the good at 622p following the interim results and bullish statement on the outlook. In contrast, lower interim profits left **Woodhouse and Rixson**, 9 off at 86p. **Howden Group**, the subject of recent bid speculation, met with profit-taking and gave up 7 to 116p.

Foods, a relatively defensive sector of late, finally succumbed to the widespread shake-out in London equities with manufacturing counters particularly affected. **Unigate** reacted 11 to 396p despite reports of occasional demand emanating from overseas sources. Takeover chestnut **Rowntree**, interim figures expected early in September, dipped 9 to 572p, while easier values also prevailed for other leading confectionery issues such as **Cadbury Schweppes**, 259p, and **United Biscuits**, 322p. **Meat Trade Suppliers** were marked sharply lower following the sharply reduced preliminary profits and closed 50 off at 275p.

With the exception of **Aberdeen Steak Houses**, another 2 to the good for a two-day gain of 10 at 80p following a favourable press mention, Hotels gave ground. **Grand Metropolitan**, 543p, and **Ladbroke**, 436p, fell 14 and 4 respectively. **Queens Moat Houses** eased a few pence to 198p; the interim figures are scheduled tomorrow with BZW anticipating pre-tax profits of around £8m while Greenwell Montagu's estimate is pitched slightly higher at £8.4m.

Beecham reacted sharply to close 18 down at 537p in the wake of a report in the US press that an American brokerage house had retracted claims put out last week that Genentech's tPA thrombolytic drug, a rival to Beecham's heart drug Eminase, had run into problems in the form of excessive intracranial bleeding.

Other international stocks were not helped by the early setback on Wall Street. **Glaxo** gave up ⅛ to £17⅞ and **Hanson** fell 7 to 186p, although the volume in the latter was relatively small compared with recent trading activity. Elsewhere, **Highgate and Job** rose 15 more to 515p amid expectations that the company will be used as a shell by the Jivraj family which will acquire a stake of just over 29 per cent if the capital proposals go through. **Turner and Newall**, in contrast, remained a weak market at 238p, down 17, on recent news that the company is being sued by Chase Manhattan Bank over asbestos in its New York headquarters building. **Hawley** eased 6½ further to 154½p for a two-day fall of 15½ following the company's bid for ADT of the US and the £400m Euromarket issue of convertible preference shares.

Country and New Town, up 5 at 195p, provided one of the few bright spots in the Property sector following news that Pennant Holdings had acquired British and Commonwealth's 44 per cent interest in the company at 197p per share and is making a full offer at a similar price. Pennant intends to retain the listing of Country and New Town. Leading issues to give ground included **Land Securities**, down 13 at 514p, **British Land**, 8 cheaper at 322p and **MEPC**, 14 off at 490p.

Continuing worries about Opec over-production lopped another 25 cents off the price of Brent crude for September delivery and prompted further widespread losses throughout the oil and gas sector.

In the major issues **British Gas** settled 1½ down at 179p after a turnover of 73m shares, while **BP**, where 8.7m shares changed hands, eased to 353p and **Shell** ¼ to £13$\frac{11}{32}$. The second-line North Sea oil groups staged a late rally, triggered by bear closing but were still left with losses on the day. **Enterprise**, down to 270p at one point closed 2 easier at 274p and **LASMO** closed 1½ cheaper at 316p, after 312p.

South African sectors of mining markets made strong progress as bullion approached the $480 an ounce level in response to a sharp fall in the dollar. Worries that the strike by black mineworkers is spreading to include platinum mines failed to cause any major selling.

Consolidated Gold Fields recouped much of an early decline as did **RTZ**.

De Beers, the diamond producer, attracted good support following the excellent interim results and moved up 20 to 920p.

Buying of Golds came mainly from Switzerland and Paris — US houses kept share prices up as the dollar declined but were reluctant buyers. The Gold Mines index rose 7 points to 408.6

Traded Options

Although traded option volume exceeded Monday's rather disappointing levels, dealers still expressed a certain amount of dismay at the general lack of enthusiasm — clearly a legacy of subdued turnover in the underlying securities. Total contracts transacted amounted to 35,434, comprising 19,425 calls and 16,009 puts. As on Monday, British Telecom occupied operators' horizons with 1,731 calls and 2,689 puts struck; the majority of the latter were done in the August and November 280 series which attracted 1,809 calls and 1,056 trades respectively.

Traditional Options

- First dealings Aug 17
- Last dealings Aug 28
- Last declaration Nov 19
- For Settlement Nov 30

For rate indications see end of London Share Service

Stocks dealt in for the call included Belhaven, British Land, Scottish and Newcastle, TSB, Control Securities, Falcon, Estates Property, Readicut, STC, Plasmec, Top Value, Tesco, Harris Queensway, Rexmore, Newage Transmissions, Aran Energy, NEI, Martin Ford, Greenwich Resources, Pentland Industries and GEC. Puts were arranged in Broad Street, Concorde and Cadbury Schweppes, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	Aug. 18	Aug. 17	Aug. 14	Aug. 13	Aug. 12	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	86.36	86.67	87.03	86.48	86.56	89.62	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.45	94.07	94.31	94.32	94.74	93.54	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1732.2	1764.0	1785.3	1778.6	1775.2	1267.8	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	408.6	401.6	416.2	438.3	446.0	219.0	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.33	3.27	3.24	3.24	3.25	4.37				
Earnings Yld.%(full)	8.27	8.13	8.05	8.03	8.07	10.55				
P/E Ratio (net) (*)	14.80	15.06	15.22	15.28	15.21	11.56				
SEAQ Bargains (5 pm)	31,528	34,559	38,119	35,152	49,620	—				
Equity Turnover (£m)	—	1174.05	1117.72	1721.10	2088.64	525.47				
Equity Bargains	—	41,636	39,663	46,141	58,135	19,578				
Shares Traded (mil)	—	449.0	463.7	459.9	658.4	228.2				

S.E. ACTIVITY

Indices	Aug. 17	Aug. 14
Gilt Edged Bargains	106.5	122.9
Equity Bargains	269.8	257.0
Equity Value	2373.1	2259.2
5-Day Average		
Gilt Edged Bargains	117.3	117.3
Equity Bargains	310.6	331.1
Equity Value	3153.8	3238.6

♥ Opening 1756.5 | 10 a.m. 1752.0 | 11 a.m. 1753.7 | Noon 1752.6 | 1 p.m. 1752.2 | 2 p.m. 1750.6 | 3 p.m. 1740.4 | 4 p.m. 1733.7

Day's High 1756.8 Day's Low 1731.7. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=14.57

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (56)

AMERICANS (6), CANADIANS (1), BANKS (1), BUILDINGS (2), STORES (4), ELECTRICALS (5), ENGINEERING (3), FOODS (1), INDUSTRIALS (7), INSURANCE (2), LEISURE (1), PAPERS (3), PROPERTY (5), SHIPPING (1), TRUSTS (7), OILS (1), MINES (8).

NEW LOWS (6)

BRITISH FUNDS (2) Treas. 12pc 1987, Treas. 3pc 1992, LOANS (1) Nationwide Bldg. Soc. 3⅞pc I.L. Ln 2021, AMERICANS (1) Allegheny and W., BANKS (1) Copenhagen Handelsbank, BREWERS (1) Boddingtons.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	1,000	191	−2	Ladbroke	825	436	−4
Allied Lyons	5,800	414	−5	Land Securities	1,600	514	−13
Amstrad	493	195	−2	Legal & Gen.	760	314	−8
Argyll Group	566	433	−3	Lloyds Bank	758	343	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	3,700	545	−14				
Grand Met.	3,700	543	−14	Tesco	3,000	176	−8
GUS "A"	99	£12⅞	−⅛	Thorn EMI	513	664	−1
Guardian R.E.	182	993	−13½	Trafalgar House	1,400	364	−1
GKN	1,900	386	−18	T'house Forte	3,000	264	−2
Guinness	3,000	346	−6	Ultramar	3,000	263	+3
Hammerson	111	997	−1	Unigate	1,300	396	−11
Hanson Trust	8,500	186	−7	Unilever	2,700	642	−16
Hawker Sidd.	338	547	−17	United Biscuits	1,400	322	−9
Hillsdown Hldgs.	2,100	315	−5	Wellcome	940	435	−16
ICI	803	£14¼	−⅛	Whitbread "A"	2,200	330	−13
Jaguar	6,000	562	−23	Woolworth	757	345	−14

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	111	2
Corporations, Dominion and Foreign Bonds	2	21	34
Industrials	205	817	554
Financial and Properties	100	219	283
Oils	16	53	46
Plantations	2	2	10
Mines	70	54	66
Others	50	113	101
Totals	445	1,390	1,096

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Tuesday August 18 1987

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Aug. 18	Price Sch%	+ or –
Creditanstalt	2100.00	......
Goesser	3120.00	+50
Interunfall	12300	......
Jungbunzlauer	8820	–10
Laenderbank	1985.00	+10
Perlmooser	710.00	+20
Steyr-Daimler	127.00	......
Veitscher Mag	848.00	–2

BELGIUM/LUXEMBOURG

Aug. 18	Price Frs.	+ or –
B.B.L.	3465	......
Banque Gen. Du. L.	14850	......
Bank Int. A	14300	......
Bekaert B	12475	–25
Ciment CBR	6580	–20
Cockerill	180	+5
Delhaize	4650	+70
EBES	5360	–50
Fabrique Nat	1525	–25
GB Inno BM	1990	–6
GBL (Brux) L	4355	+25
Generale Bank	6550	......
Gevaert	8890	+190
Hoboken	8550	–40
Intercom	4205	–30
Kredietbank	4900	......
Pan Holdings	13500	+100
Petrofina	13675	–225
Raffinerie Tirle	1820	......
Royale Belge	6280	–10
Soc Gen Belge	4020.00	+10
Sofina	16350	+50
Solvay	14950	–50
Stanwick Intl.	550	......
Tractebel	8550	+100
UCB	11550	–25
Wagons Lits	6000	+60

DENMARK

Aug. 18	Price Kr %	+ or –
Baltica Skand	1050	+30
Cop Handelsbank	262	+4
D. Sukkerfab	310	–4
Den Danske Bank	351	+5
East Asiatic	193	+4
Forenede Bryg	950	+65
GNT Holding	240	–5
I.S.S.B. Systems	830	+55
Jyske Bank	499	+13
Novo Inds.*	245	+3
Privatbanken	269	+3
Sophus Berendsen	965	+15
Superfos	254	......

GERMANY

Aug. 18	Price Dm.	+ or –
AEG	354.50	–5.7
Allianz Vers.	2145.00	–32
BASF	337.70	–2.3
Bayer	359.00	–2.9
Bayer-Hypo	509.00	+2
Bayer-Verein	495.00	–6
BHF-Bank	492.00	–3
BMW	748.00	–1
Brown Boveri	364.50	+1.5
Commerzbank	306.50	–3.5
Cont'l Gummi	370.00	–2
Daimler-Benz	1180.00	–23
Degussa	545.00	–3.5
D'sche Babcock	245.50	–0.7
Deutsche Bank	712.00	–11.5
Dresdner Bank	370.90	–1.5
Feldmuehle Nobel	341.00	–1
Henkel	566.00	–4.5
Hochtief	722.00	+2
Hoechst	331.50	–4
Hoesch Werke	135.00	–2.9
Holzmann (P)	463.00	......
Horten	248.00	–3
Hussel	652.00	–1
Karstadt	542.00	–8
Kaufhof	510.00	–1
KHD	194.00	–3.5
Kloeckner Werke	147.00	–1
Linde	780.00	–4
Lufthansa	198.00	–7
MAN	199.50	–1.4
Mannesmann	183.60	–2.9
Mercedes Hld.	1039.00	–16.5
Metallgesell	395.00	......
Muench Rueck	2100	+70
Nixdorf	839.00	–21
Porsche	990.00	–15
Preussag	205.00	–1
Rhein West Elect.	263.50	–1.5
Rosenthal	288.00	–1.5
Schering	626.00	–8
Siemens	684.00	–7
Thyssen	139.50	–0.5
Varta	358.00	–2
Veba	322.00	–4.2
V.E.W.	174.00	+5.8
Verein-West	465.00	+2
Volkswagen	410.20	–0.8

ITALY

Aug. 18	Price Lire	+ or –
Banca Com'le	2885	–16
Bastogi-IRBS	461	–12
CIR	5399	–76
Credito Italian	1788	–3
Fiat	10660	–140
Generali Assicur	121000	–2150
Italcementi	104300	–300
La Rinascente	999	......
Montedison	2145	–65
[illegible]	[illegible]	[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

AUSTRALIA

[illegible]

JAPAN (Continued)

[illegible]

JAPAN

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices August 18

[illegible]

MONTREAL
Closing prices August 18

[illegible]

Indices

NEW YORK

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

TORONTO

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

LONDON — Most Active Stocks
Monday, August 18, 1987

	Stocks Traded	Closing Price	Change on Day
C'ble & Wire	10.0m	438	– 1
TSB	9.4m	81½	– 1½
Hanson Tr	8.5m	186	– 7
BP	8.4m	353	– 1
STC	7.6m	281	– 3
Brit Gas	7.3m	179	– 1½
Mks & Spcr	7.2m	238	– 6
Racal	7.2m	285	– 9½
Storehouse	6.8m	384	+ 4
Jaguar	6.0m	562	– 23

TOKYO — Most Active Stocks
Tuesday, August 18, 1987

	Stocks Traded	Closing Prices	Change on Day
Kawasaki Steel	127.84m	294	+ 5
Nippon Steel	54.42m	343	+ 2
Sumitomo Metal	46.44m	251	+ 5
Mitsub Heavy Ind	28.82m	607	+ 4
Hitachi	19.86m	1,280	– 70
Toyama Chemical	15.88m	1,648	+130
Nippon Oil and Fats	14.35m	1,590	+ 30
Nippon Kokan	10.63m	289	uch
Mitsub Petrochemical	10.15m	1,160	– 18
Toyojozo	9.2 m	1,750	+ 60

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES:

EBC	317	+ 22
Guinn. Peat	108½	+ 5½
Highg. & Jb	515	+ 15
Stand. Chartered	773	+ 23

FALLS:

BICC	367	– 11
Barclays	538	– 15
Beecham	537	– 18
Hawk. Sidd.	547	– 17
Jaguar	562	– 23
Lucas Inds.	723	– 11
Meat Tr. Supps	275	– 50
Sedgwick	314	– 13
Shell Trans.	£13¹⁵⁄₁₆	– ⅛
Taylor Wood.	450	– 23
Turn. & Newall	238	– 17
Whitbread A	330	– 13
Woodhse & Nix.	86	– 9

OVER-THE-COUNTER
Nasdaq national market, closing prices

Continued from Page 35

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35⅝	20⅝	AAR	s	.50	1.4	24	254	36¼	35⅝	35⅞	+⅜
49¼	22	ADT		.92	1.9	28	6870	49¼	48¾	49⅛	+½
31¼	16¾	AFG	s	.16	.6	10	636	29¼	28⅞	29	−¼
22⅝	8⅝	AGS	s			18	378	18¾	18¾	18¼	−¼
10⅞	6¾	AMCA					22	9⅞	9⅞	9⅞	
9⅝	4⅞	AM	Intl				3448	8⅝	8¼	8½	
65½	50¼	AMR				13	5268	63¼	61¾	62¼	−1⅛
11¾	8⅛	ARX	s			13	673	11⅝	11½	11⅝	
73½	31¼	ASA		2a	3.0		969	66¼	64	66	+2¾
20	9¾	AVX			1.8	36	334	18⅛	17⅝	17¾	−⅜
67	41	AbtLab		1	1.5	26	5378	64¾	64	64¾	+⅜
28	24¼	Abitibi	g				39	26⅝	26¼	26¼	−½
18¾	9⅝	AcmeC		.40	2.6	16	325	15¾	15¼	15⅝	
9½	6⅛	AcmeE		.32b	3.3	60	44	u	9⅝	9⅝	9⅝
23⅞	19	AdaEx		3.42e	16.		159	22⅝	21¾	21¾	−½
19½	11⅝	AdmM	s	.24	1.6	12	37	15⅝	15⅛	15⅝	−⅛
25⅞	12⅛	AdvSys		.62t	2.5	18	186	25¼	24⅝	25	
24½	12⅞	AMD					3093	20¼	19¼	19⅞	−⅜
54¾	47	AMD	pf	3	5.8		54	52	51¾	51¾	−⅝
11⅞	5¼	Adobe					261	10¼	10	10	−⅛
20½	14¾	Adob	pf	1.84	9.2		8	20	20	20	−⅛
21⅞	17	Adob	pf	2.40	11.		6	21	21	21	+¼
15	10⅝	Advest		.12a	1.0	10	319	12⅞	12¼	12⅝	−⅛
68¼	53	AetnLf		2.76	4.5	9	4661	61⅞	61¼	61⅝	−⅜
83½	26½	AflPb	s	.32	.4	23	653	75¼	74½	74½	−1
27½	18⅝	Ahmans		.88	4.0	8	4600	22	21⅝	21¾	−½
5⅝	2⅞	Aileen					356	3⅝	3½	3⅝	
53⅞	31¼	AirPrd		1	2.0	22	3384	50¼	49¼	50¼	
30	17¾	AirbFrt		.60	2.2	12	528	27⅝	27	27⅜	+½
15	7⅝	Airgas	n			22	31	13½	13¼	13⅜	+⅛
20⅝	16¼	Airlse	n	1.57e	9.0		44	17⅝	17⅜	17½	
15-32	¼	AlMoan					10	13-32	⅜	⅜	

Continued on Page 35

NYSE COMPOSITE CLOSING PRICES

Continued from Page 34

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8⅝	3⅝	Pardyn				2202	8⅝	8	8	−½
24½	14⅝	ParkEl .16		.7	20	16	23⅝	23½	23⅝	
8⅞	2⅞	ParkDrl 01t		2		1836	6⅜	6	6	−¾
41⅛	23¼	ParkHn .80		2.0	21	1673	40	39⅝	39¾	−⅛
5⅛	2⅝	PatPtr				288	4¾	4½	4½	−⅛
18⅝	8½	Patten s			11	1779	9¼	8⅞	9	−¾
21½	9½	PayNP .40		2.0	20	167	20⅝	20½	20½	−⅛
26⅞	15⅞	PayCsh .16		.7	18	1567	23¾	23	23⅜	−⅝
60½	46⅝	PenCen .05		.1		661	56¾	53½	54⅝	−2½
66	34½	Penney 1.48		2.3	18	7329	64½	62	63½	−½
43⅝	33½	PaPL 2.68		7.4	11	1396	36⅞	36	36¼	−⅝
101	87	PaPL pr8.40		9.4		z55	102½	88	89½	
107	100⅞	PaPL pr9.24		8.9		z80	103¼	103¼	103¼	−1⅛
98¼	81¼	PaPL pr 8		9.3		z520	87	86	86	−1
105	86¼	PaPL pr8.70		9.6		z520	93	91	91	−2
67	44	Penwlt 2.20		3.3	17	444	65¾	64½	65¾	+1⅛
39⅞	28	Penw pr1.60		4.2		31	38	37	38	+⅝
95	52	Pennzol 2.20		3.0	49	1595	75⅛	74¼	74¼	−1⅛
28¾	18½	PeopEn 1.44		7.2	11	405	20⅜	19⅞	20⅛	−⅛
18⅞	11⅝	PepBy s			33	896	18⅝	17⅞	18	−¾
41	24½	PepsiCo .58		1.7	20	7339	40⅝	39¼	40⅛	−⅝
13⅞	10⅛	PerkF n.85e		7.9	24	143	11⅛	10¾	10¾	−¼
41⅞	25	PerkEl .60		1.6	27	2157	37⅛	36½	37	−¼
8⅛	5½	Prmian .38e		4.9	13	246	8	7¾	7¾	−¼
10¼	8⅝	PrLP pr1.15		11.		658	10¼	9⅞	10⅛	−⅛
15⅛	8½	PeryDr .22		2.0		71	11½	11¼	11¼	−⅛
35⅞	24⅞	Petrie .70		2.0	23	808	35⅞	35⅛	35⅜	−½
21¼	17½	PtPar. a 2		9.8		519	20⅜	20⅛	20⅜	
33⅞	28⅝	PetRs 2.57e		8.3		47	31⅝	31⅛	31⅛	−⅝
20	15⅞	PetRs pf1.57		9.0		z34	17⅜	17⅛	17⅜	+⅜
2½	1	PtrInv .07e		3.7		36	1⅞	1⅝	1⅞	+⅛
77	56¼	Pfizer 1.60		2.4	18	4808	74⅝	72⅞	73⅝	−1¼
[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

Continued on Page 33

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Currency woes batter Dow into steep fall

WALL STREET

BATTERED by a plunging dollar and bond prices, Wall Street shares suffered yesterday their first setback in their long summer rally, *writes Roderick Oram in New York.*

Currency markets were annoyed by a delayed reaction to the unexpectedly huge US trade deficit announced last Friday and lower oil prices. The fall of the dollar by almost Y4 to around Y146.30 put pressure on the credit markets, knocking more than a point and a half off bond prices.

The recently euphoric mood of stock markets evaporated rapidly in the face of turmoil in other markets and share prices fell rapidly from the opening.

The Dow Jones industrial average closed down 45.92 points at 2,654.65, its biggest drop in points terms since May 15. At its worst for the session it was down nearly 65 points in early afternoon before drifting back up.

Broader market indices followed the Dow industrials down. Pressure on prices was exacerbated by waves of profit taking and a drop in stock index futures which triggered some programme trading.

The Standard & Poor's closed down 4.86 at 329.95 and the New York Stock Exchange composite index lost 2.64 to 184.12. NYSE volume was heavy at 198.4m shares with declining issues outnumbering those rising by a margin of nearly four-to-one.

Many traders were unsurprised by the decline. The markets' summer rally began on May 20 when the Dow industrials stood at 2,216. The near-500 point climb since then left stock prices looking over-extended in the short-term. Some traders hoped that yesterday's downturn would be sufficient to encourage some buying from investors who had been waiting for a correction before committing themselves.

Among blue chips, IBM dropped $1⅛ to $172⅞, AT&T lost $⅝ to $34⅛, American Express gave up $1⅝ to $38, General Motors was off $1¾ to $92⅛, Merck retreated $3¾ to $204 and United Technologies, whose Pratt and Whitney engines powered the airliner which crashed in Detroit on Sunday, was down $2½ to $56⅝.

Oils were mixed even though crude prices stabilised after Monday's steep drop, its biggest in nearly a year, to below $20 a barrel. Exxon gave up $⅝ to $97½, Chevron edged up $⅛ to $58½, Mobil was down $⅝ to $50½ and Amoco dropped $1⅝ to $78⅝.

In the takeover arena, Gillette slipped $⅝ to $42¾. Revlon offered on Monday $47 a share for the consumer products group, its third attempt to acquire it.

Manpower edged up $⅝ to $76. The recruitment group rejected at the weekend a $75 a share offer from Blue Arrow of the UK.

Among retailers reporting quarterly results yesterday, J. C. Penney fell $⅛ to $63½ on net profits of 68 cents a share against 38 cents a year earlier while Federated Department Stores fell $1⅞ to $54⅝ after turning in profits of 32 cents a share against 35 cents a year earlier.

Credit markets were upset from the opening by the plunge in the dollar and prices fell steadily through the morning. The new benchmark 8.875 per cent Treasury long bond plunged 1 15/32 points to 99 11/32 by late afternoon yielding 8.93 per cent compared with 8.89 per cent at its auction last Thursday. Short maturities showed small price losses.

The dollar's downturn was explained largely as a delayed reaction to the surprisingly bad US trade figures released on Friday and the fact that oil prices fell below $20 a barrel late Monday. Once the falling dollar breached some psychologically important support levels, its decline accelerated.

Initially, it looked as though only a few investors were unloading the new securities they bought at last week's auctions. But dealers were worried that the fall of prices below those achieved in the auction would accelerate the selling.

CANADA

FALLING oil prices pushed oil stocks down sharply, bringing a sharp general decline in Toronto prices despite big rises among golds.

In energies, Shell Oil slumped C$2 to C$47¼, Asamera gave up C$⅝ to C$13 and Ranger Oil fell C$⅛ to C$8⅛. Saskatchewan Oil and Gas was C$½ lower at C$9⅛.

Support held up for golds, however, and Placer-Dome, the group created through last week's merger of Dome Mines, Placer and Campbell Red Lake, rose C$⅛ to C$24⅞.

Montreal and Vancouver both declined.

SOUTH AFRICA

DEMAND for gold shares was revived by recent low prices and expectation of a rise in the bullion price, lifting Johannesburg prices generally. Gains were reined in, however, by a strong rise in the financial rand, in which all capital transactions must be conducted.

In trade still overhung by caution over the miners' strike, gold stock Randfontein added R20 to R480. Among the cheaper issues, Bracken added 50 cents to R8.

Rustenburg featured among platinums with a 50 cent rise to R59.50 as prices for the metal improved.

Diamond De Beers was lifted a strong R2.75 to a year's high of R55 after sharply better first-half results.

ASIA

Rising yen depresses high-techs

TOKYO

THE RISING yen sparked investor uneasiness, bringing down electricals, precision instruments and other export-oriented high-tech issues in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average shed 34.54 to 25,344.34, its third consecutive decline. Volume was up to 759.98m shares from Monday's 599.70m but still well below the levels of last week. Declines slightly outnumbered advances by 462 to 441, with 133 issues unchanged.

The market opened firmer, buoyed by the overnight climb of the Dow Jones industrial average to over 2,700 and by the fall of crude oil prices to below $20 a barrel. Later in the day the rise of the yen to Y148 to the dollar depressed the market and pushed prices lower.

The consolidation of the yen's strength against the dollar, combined with a larger than expected US trade deficit for June, sparked renewed and widespread selling of high-tech stocks.

Hitachi tumbled Y70 to Y1,290 on high trading volume, NEC lost Y90 to Y2,050 and Fujitsu was down Y170 to Y4,720. Toyota Motor, which posted large gains on Monday, plunged Y110 to Y2,130.

Some consumer issues and large-capitals were back in favour. Kawasaki Steel topped the most active stocks list with 127.84m shares traded and closed up Y5 at a peak of Y294. Nippon Steel was the second most traded stock at 54.42m and edged up Y2 to Y343. Sumitomo Metal Industries added Y6 to Y251 and Mitsubishi Heavy Industries rose Y4 to Y607.

Biotechnology stocks, which are little affected by foreign exchange movements, were also sought. Toyama Chemical surged Y130 to Y1,640 on a volume of 15.80m shares, Nippon Oil and Fats added Y30 to Y1,500, Toyojozo rose Y60 to Y1,750, Toyo Seikan Kaisha advanced Y75 to Y580, Yamanouchi Pharmaceutical was up Y20 to Y4,710 and Takeda Chemical gained Y20 to Y3,260.

Bonds weakened, reflecting investor disappointment over the lacklustre performance of the futures market.

The yield on the 5.1 per cent government bond, due in June 1996, dropped from Monday's 5.095 per cent finish to 5.035 per cent at one stage in block trading triggered by the yen's strength. But it later moved downwards to close at 5.150 per cent on selling caused by a Y50bn buying operation by the Ministry of Finance's debt consolidation fund.

The buying operation was aimed primarily at buoying the sluggish bond market. But some investors took the activity as a good opportunity to sell some of their holdings. Selling came largely from financial institutions which had suffered large book-value losses due to the recent plunge of the bond market.

SEOUL stock prices rose to a record on speculative buying which centred on construction and finance stocks. The composite stock price index rose 3.24 to a new high of 491.81, beating the previous peak of August 4.

Manufacturers, notably car and electronic issues, fell, however, as South Korea's labour crisis deepened.

SINGAPORE

SHORT-COVERING and bargain-hunting caused Singapore share prices to rebound from Monday's plunge, although trading was less active. Most institutional investors took a wait-and-see approach. The Straits Times industrial average gained 11.71 to 1460.99.

Major blue chips and retailers were among issues to benefit from the upturn but the absence of fresh factors stifled activity.

Transmarco, which reported the sale of a wholly-owned watch company for S$11m, firmed 50 cents to S$5.50. Metro and Isetan also put on 50 cents to close at S$13.00 and S$8.65 respectively.

ICB gained 20 cents to S$6.60 after UOB said it had made a formal offer for the company. UOB rose 10 cents to S$8.00. MUIB and M.U.Mfg respectively put on 7 cents to S$2.86 and 2 cents to S$1.28, despite poor interim results.

Elsewhere, Haw Par gained S$6.25 while SIA rose 10 cents to S$14.80. Singapore Press put on 20 cents to S$10.30, as did Genting at S$7.35, Perlis at S$7.45 and Malayan Banking at S$8.35.

AUSTRALIA

A RECORD-BREAKING performance by industrials enlivened otherwise weak Sydney share trading. The broad All-Ordinaries index eased 2.7 to 2,108.5, led down largely by mining and oil issues.

The industrial index, though, firmed 6.2 to a new high of 3,032.5, continuing a strong buying run.

Property developers stood out. Lend Lease added 20 to A$17.40 and Jennings 10 cents to A$2.70. Hooker rose a further 10 cents to A$4.45.

Diversified mines and resources fell. Market leader BHP was 5 cents down at A$10.20. Golds dipped.

Oriental Press hits 100% premium on Hong Kong launch

BY KEVIN HAMLIN IN HONG KONG

SHARE PRICES in Oriental Press Group, publisher of Hong Kong's most popular Chinese-language newspaper, doubled to HK$2 in its first day's trading on the territory's stock exchange yesterday as the Hang Seng index dropped 5.78 to close at 3,505.

Oriental's HK$254m public offer was oversubscribed a record 309 times, attracting a phenomenal HK$76bn. Oriental received a HK$75m windfall gain in interest from the money held. Investors received a mere 0.35 per cent of shares applied for.

More than HK$317m worth of Oriental shares changed hands yesterday, with the stock touching a high of HK$2.10 before falling back in late trading. Turnover on the market as a whole was about HK$2.25bn, compared with the previous day's HK$1.51bn.

The market opened strongly but then fell victim to profit-taking. The index was down 40 points at one stage before an afternoon rally pushed prices back up.

The mammoth oversubscription for Oriental shares has produced a squall of criticism on the company's HK$1 per share offer price. Mr David Nendick, secretary for monetary affairs, has consequently questioned the efficiency of the current system of floating companies.

Hugely oversubscribed issues have in the past caused interbank overnight interest rates to rocket, causing financial authorities great concern. Pressure on interbank interest rates was reduced in Oriental's case by Citibank's prior commitment to fund a large chunk of the money at a fixed rate.

Citicorp, the underwriter, has defended the issue price, arguing that when it was determined it was in line with that of Sing Tao, the existing quoted publishing group.

Mr Nendick says: "What really matters is that the price in a few months time is reasonable in relation to an issue price. This should be the responsibility of all people concerned."

At HK$2 per share, Oriental is valued at some HK$2.5bn. It forecasts a profit of not less than HK$110m in the year through to next March.

On other counters yesterday, Cheung Kong closed down 10 cents at HK$12.90, Hongkong Bank was unchanged at HK$10.20, and Hutchison Whampoa was up 10 cents at HK$13.90.

Oslo falls sharply as oil price turns down

HEAVY profit-taking by overseas and local investors brought Oslo share prices sharply lower in very busy trade. The all-share index tumbled 9.58 to 383.43.

Oils were hardest hit by the selling as the world price for Norway's North Sea oil fell. The sector index plunged 16.61 to 339.78, with Saga Petroleum, the country's biggest private oil group, shedding NKr9.5 to NKr123.

Industrials also suffered. Norsk Hydro gave up NKr 8 to NKr 250.

● Norway's stock market is bracing itself for an announcement expected from the Ministry of Finance that it plans a renewed effort to introduce a tax on share trading, writes our Oslo Correspondent.

A ministry spokesman would neither confirm nor deny strong market rumours that the announcement will be made as part of Norway's national budget for 1988, due in October.

In May the ministry's attempt to introduce a two per cent tax on share trading was stalled in Parliament. This time, however, it is thought that the Norwegian authorities will aim to impose a 1 per cent tax, rather than the 2 per cent levy proposed in May.

Opponents of the May proposal to impose a two per cent tax, however, said it threatened to drive away the foreign investors who have been largely responsible for the rapid growth of the Oslo bourse which

Karen Fossli in Oslo looks beyond a pause in Norway's bull run

Slight clouds over an unseasonable fiesta

YESTERDAY's tumble on the Oslo bourse could finally be the start of what many would welcome as a period of correction after a summer of hectic, and some days, euphoric trading which has raised the all-share index 41 per cent since January, shattering records along the way.

Yet although analysts agree a market correction is in order, none believes this will come in the form of a big fall. Most expect a short-term correction in what remains very much a bull market.

Trade remained heavy yesterday, with about 1,400,000 shares traded for a value of NKr186m ($27m) compared to 1m shares traded at a value of NKr124m on Monday. But Tuesday's index, at 383.43, was down from its all-time pinnacle of August 13, when it soared to 397.88. Analysts doubt whether it can stretch beyond 400 this year.

By tradition, the bourse has a seasonal rally in autumn, but since the market's appeal has grown among foreign investors they have been positioning themselves earlier each year.

Foreign investors account for about 40 per cent of the total bourse turnover. By the end of May they purchased Norwegian shares for a total of NKr7.6bn compared with NKr4.1bn in the same period of 1986.

According to Mr Peter Warren, market analyst with Oslo-based Vogt, Oslo's rising trend is easily explained. "The professional investors, i.e., the institutions, went in and started buying shares earlier than ever. This caused more demand than supply and started pushing prices up.

"The brokers then turned around and started marketing this event saying that everybody now had to get into the market before the autumn rally. That in turn prompted a lot of investors to change their time-frame for positioning.

"Instead of waiting until autumn to come to the market they started hitting earlier. This led to a certain amount of purchasing power and brought the rally forward in time." Mr Warren says that the feeling was that this trend would continue and that the market would rocket.

"We've had similar statements before," he cautions. "In May 1984 the same kind of thing happened and the market suddenly corrected by 20 per cent within a month and then collapsed."

A similar correction occurred in November 1985 when the market was bought up on the argument that everyone had to get in because of the entry of mutual funds. As it turned out the mutual funds did not materialise and the market once again fell.

Mr Warren says that he is not particularly worried about the present bull market, but he expresses concern about the short-term position, which he said is over-bought.

"In an ideal market – and we'll never have that – price will reflect value. If that is the case with the Norwegian market then suddenly we must have a total re-appraisal of our market because it's been moving up really strongly. If you look into Norwegian industry, I don't really think that there's anything that can really defend the latest market action."

Mr Tom Skjelstad, of the Carl Kierulf brokerage firm, points to political reasons for Oslo's fiesta. He suggests that "we have a Labour government performing under a Conservative policy – which is better than if the Conservatives performed this way."

Mr Skjelstad also believes that the economic climate has stimulated interest. Inflation, for instance, has come down from 12 per cent in 1986 to 8.1 per cent in 1987.

Interest rates, he also points out, are starting to move from the record highs which leave rates of 15.2 per cent for one-year bonds and 13.5 per cent for long-term government bonds.

The improved performance of Norwegian companies have also been cited as a reason for interest in the bourse, together with their relatively low price earnings ratios. Saga Petroleum, the country's biggest fully-private oil group, has a p/e of about three, for instance, as do the country's three top banks.

According to Mr Skjelstad, another factor is that Norway's biggest industrial companies have tended not to own large stakes in other companies. Now many of them own as much as 30-40 per cent of other groups. The market has thus become short of scrip.

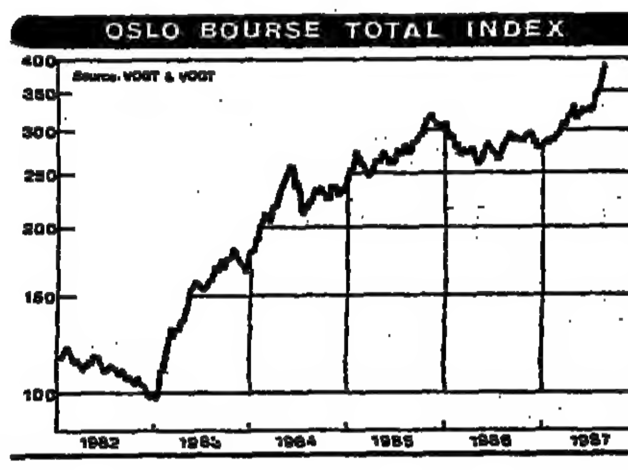
The total Norwegian market capitalisation is estimated to be about NKr100bn, or about as big as the Boston stock exchange.

As to the future of the market, many are looking towards a developing trade in options. There is, however, a difference of opinion as to how they should be traded. The stock exchange would like to keep them on the floor, while many brokers hold the opinion that the stock exchange is too small and outdated comfortably to accommodate large trade in options.

The bourse is also tightening its regulations. Norwegian authorities are concerned about insider trading and volatility caused by short-term trading. Only yesterday it announced an investigation into the circumstances of sharp rises in the share prices of Asea of Sweden and Norway's Elektrisk Bureau (EB) following Asea's declaration that it was to take a majority share in the Norwegian group.

The value of EB's shares rose by more than NKr50 in a week to exceed NKr280. The authorities are interested to know if this rise was due to expectations of the deal or because of leaks of inside information.

OSLO BOURSE TOTAL INDEX



EUROPE

Major markets follow dollar's slide

THE LOWER dollar hit export-oriented stocks on all major European bourses yesterday sending prices generally lower. Milan dipped to a new low for the year as domestic anxieties continued. Sweden went against the lower trend and the bull market resumed after a momentary lull at the end of last week.

Milan dropped to a second consecutive low for the year. The MIB index lost 10 to close at 845 as the underlying trend remained negative amid continuing uncertainty over Italy's economic growth prospects and a lack of foreign interest.

Fiat lost L140 to close at L10,660 and then dipped as low as L10,520 in after-hours dealing. Olivetti came under selling pressure and shed L265 to L11,000.

Chemical giant Montedison continued its recent slide, losing L45 to L2,145.

Insurers were generally lower. Ras gave up its gains of the previous week to end down L650 at L56,910 and Toro Assicurazioni shed L620 to L27,370.

Stockholm rose to a record in active trading worth SKr386m. The J&P index gained 9.3 to 2,985.9 as shares recouped their losses from Monday's dip.

Indications that interest rates were easing helped the recovery which was led by banks. Handelsbanken gained SKr5 to SKr532.00 and SE-Banken also added SKr5 to SKr148.00.

Blue chips were little changed to higher. Volvo held steady at SKr374.00, Ericsson added SKr1 to SKr261.00 and Electrolux gained SKr1 to SKr305.00. Asea rose SKr3 to SKr433.00.

The Oslo bourse said it was investigating possible insider trading in connection with Asea's proposed purchase of a bigger stake in Norway's Electrisk.

Frankfurt ended lower across the board as a two pfennig drop in the dollar dashed hopes of further market advances. The prospect of a further fall in the dollar dampened interest in export-oriented stocks and blue chips.

The Commerzbank index of 60 leading shares was down 1.9 to 2,059.2 after hitting a year's high of 2,061.1 on Monday.

Foreign investors, who had recently re-emerged on the market, cashed in profits.

Cars were hardest hit as their earning prospects diminished with the dollar's decline. Daimler fell DM23 to DM1,180, BMW shed DM1 to DM748 and Porsche lost DM15 to DM990.

Banks lost ground with Deutsche dropping DM11.50 to DM712, Dresdner down DM1.50 to DM370.50 and Commerzbank off DM3.50 at DM306.50. Against the trend, Bayernhypo rose DM2 to DM509.

In chemicals, BASF lost DM2.30 to DM337.70, Bayer fell DM2.90 to DM359 and Hoechst shed DM4 to DM331.50.

Retailers ended weaker following the lead of Asko which fell DM12 to DM1,888.

Electrical Siemens shed DM7 to DM684 and AEG was down DM5.70 to DM354.50.

Amsterdam tumbled across a broad front as the overnight slide of the dollar prompted widespread profit-taking. The weighted ANP-CBS index dropped 5.5 to 325.3 in low turnover.

All sectors were lower, but blue-chip multinationals were hardest hit by the dollar fluctuations. Unilever shed Fl 6.10 to Fl 145.30 and Philips was down Fl 1.10 at Fl 53.40. Royal Dutch lost Fl 6.80 to Fl 279.00 and KLM was down Fl 2.30 at Fl 53.30.

Chemical firm DSM announced a 15 per cent increase in first-half profits but the news failed to have much impact on chemical stocks.

NMB, which announced a fall in first half net profits, lost Fl 5.80 to Fl 173.20.

Zurich saw quiet trading and prices closed lower across the board with some selling sparked by the weak dollar. The Crédit Suisse index lost 5.6 to end at 595.0.

Profit-taking also set in after last week's record gains. Among blue chips, the largest losses were posted by engineer George Fischer which fell SFr35 to SFr1,745.

Against a trend of generally weak holding companies, Ascom posted a good gain, rising SFr175 to SFr9,375.

Banks and insurers ended mixed with a weaker bias. Bank Leu shed SFr120 to SFr3,990 and Crédit Suisse was down SFr30 to SFr3,420.

Paris succumbed to a bout of profit-taking which left stocks on near the day's lows. Concern over interest rates was heightened by the dollar's decline and depressed prices.

Electronics stocks, which led last week's rally, tipped the market downwards. Thomson-CSF fell FFr29 to FFr1,210, Matra edged down FFr11 to FFr2,149 and Legrand was off FFr15 at FFr2,730.

Oils came under pressure in reaction to falling crude prices. Sogerap lost FFr24 to FFr423 and Total-CFP was down FFr23 at FFr420.

Recent favourite Peugeot closed down FFr19 at FFr1,526 after hitting a low of FFr1,515 earlier in the session. Resource and building issues finished with moderate declines.

Brussels resumed trading after a holiday. Activity was quiet and directionless as investors seemed reluctant to undertake major deals after the summer recess. Prices closed mixed with a lower bias.

The general stock index, calculated at midsession, did not reflect the late price dip and was up 4.37 at 5,408.83.

Blue chip oil group Petrofina set the trend, opening lower but rallying later to close down BFr225 at BFr13,675.

Holdings were little changed overall but Sofina added BFr250 to BFr16,350 while Sidro shed BFr50 to BFr2,700.

Madrid reacted to news of a 1 per cent rise in inflation during July and share prices eased to close lower in all major sectors. The general index lost 2.92 to 288.76.

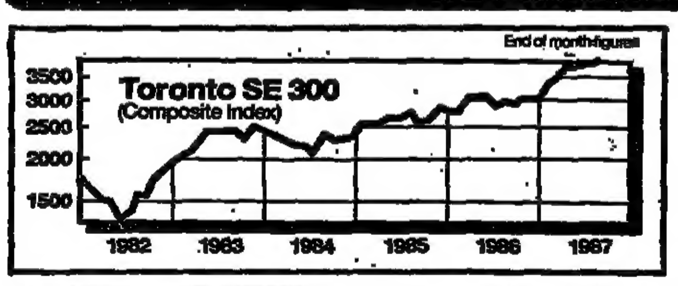
Engineering and construction issues closed weaker. Asland lost three percentage points to close at 915 per cent of nominal value and Vallehermoso dropped 20 percentage points to 790 per cent of par.

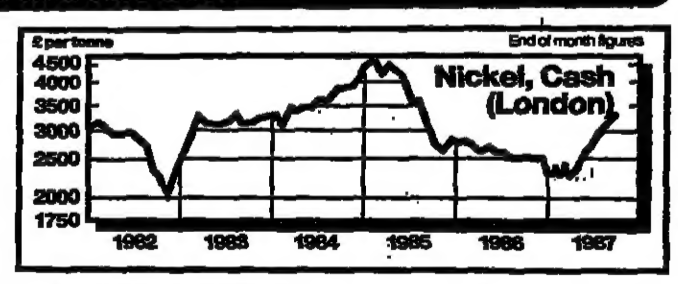
LONDON

UNCERTAINTY continued to depress equities, with most traders either hesitant to buy prior to tomorrow's monetary statistics or reserving funds for the substantial cash calls over the next few weeks. Wall Street's weak opening was a further depressant.

The FT-SE 100 index lost 34.8 to 2,224.8, while the FT Ordinary index fell 31.8 to 1,732.2.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Aug 18	Prev	Year ago
NEW YORK			
DJ Industrials	2,654.66	2,700.57	1,869.52
DJ Transport	1,075.47	1,090.62	753.38
DJ Utilities	209.64	212.19	211.13
S&P Comp.	—	334.11	247.38
LONDON FT			
Ord	1,732.2	1,764.0	1,267.8
SE 100	2,224.8	2,259.6	1,604.60
A All-share	1,134.42	1,150.56	793.34
A 500	1,249.59	1,268.71	872.33
Gold mines	408.6	401.6	219.0
A Long gilt	9.79	9.77	9.50
World Act. Ind (August 14)	135.66	135.64	99.17
TOKYO			
Nikkei	25,344.34	25,378.88	18,597.4
Tokyo SE	2,099.70	2,101.36	1,548.23
AUSTRALIA			
All Ord.	2,108.5	2,111.1	1,185.9
Metals & Mins.	1,392.6	1,403.6	550.3
AUSTRIA			
Credit Aktien	214.49	214.65	234.83
BELGIAN SE			
	5,408.80	(c)	3,805.69
CANADA			
Toronto			
Met.& Mins.	3,362.2	3,397.6	2,021.0
Composite	4,032.6	4,072.3	3,017.2
Montreal			
Portfolio	2,014.31	2,045.17	1,508.15
DENMARK SE			
SE	—	208.84	200.24
FRANCE			
CAC Gen	411.80	413.90	388.0
Ind. Tendance	105.90	106.90	94.25
WEST GERMANY			
FAZ-Aktien	668.02	669.40	676.97
Commerzbank	2,059.20	2,061.10	2,050.2
HONG KONG Hang Seng	3,504.87	3,510.66	1,950.12
ITALY Banca Comm.	611.57	619.45	776.56
NETHERLANDS ANP CBS			
Gen	325.30	330.80	296.7
Ind	274.50	277.30	302.3
NORWAY Oslo SE	512.65	532.02	358.05
SINGAPORE Straits Times	1,460.90	1,449.20	809.84
SOUTH AFRICA JSE			
Golds	—	2,262.0	1,518.7
Industrials	—	2,221.0	1,297.1
SPAIN Madrid SE	288.76	291.68	198.15
SWEDEN J & P	2,985.90	2,976.60	2,598.45
SWITZERLAND Swiss Bank Ind	681.00	686.40	543.1

COMMODITIES (London)

	August 18	Prev
Silver (spot fixing)	474.50p	473.95p
Copper (cash)	£1,103.50	£1,112.50
Coffee (November)	£1,273.00	£1,296.00
Oil (Brent Blend)	$18.85	$18.875

GOLD ($/oz)

	August 18	Prev
London	$457.75	$453.75
Zürich	$457.40	$453.45
Paris (fixing)	$457.02	$454.92
Luxembourg	$454.50	$457.00
New York (Dec)	$467.30	$463.10

CURRENCIES (London)

	US DOLLAR Aug 18	US DOLLAR Previous	STERLING Aug 18	STERLING Previous
$	—	—	1.6170	1.5910
DM	1.8440	1.8770	2.9825	2.98625
Yen	146.05	149.90	236.25	238.5
FFr	6.1575	6.2725	9.9575	9.98
SFr	1.5275	1.5570	2.47	2.4775
Fl	2.0805	2.1140	3.365	3.3625
Lira	1,336	1,357.3	2,158.5	2,159.75
BFr	38.40	38.95	62.10	61.95
C$	1.3315	1.3305	2.1500	2.1155

INTEREST RATES

	Aug 18	Prev
Euro-currencies (3-month offered rate)		
£	10 1/16	10
SFr	3⅞	3 15/16
DM	3 15/16	3 15/16
FFr	8 [illegible]	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	7	6 15/16
6-month US$	7¼	7⅛
US Fed Funds	6 11/16*	6⅝
US 3-month CDs	6.80*	6.825
US 3-month T-bills	6.02*	6.17

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Aug 18 (Sept)	89-12	91-00	89-05	91-03
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	94.01	94.06	93.99	94.09
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.89	92.92	92.88	92.94
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	116-03	116-21	115-00	116-19

US BONDS

Treasury

	August 17 Price	Yield	Prev Price	Prev Yield
7¼ 1989	99 [illegible]	7.69	100 [illegible]	7.605
7 1994	97 [illegible]	8.55	97 [illegible]	8.467
8½ 1997	99 [illegible]	8.72	99 [illegible]	8.644
8¾ 2017	99 [illegible]	8.93	99 [illegible]	8.877

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	August 17 Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	August 18 Price	Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.50	6.40	93.50	6.40
SCBT South Central 10⅞ Jan 1993	102.00	10.39	102.15	10.33
Phibro Sal 8 April 1996	89.12	9.90	91.03	9.55
TRW 8⅞ March 1996	95.96	9.45	98.81	9.30
Arco 9⅞ March 2016	99.29	9.95	101.19	9.75
General Motors 8⅝ April 2016	82.77	9.95	83.59	9.85
Citicorp 9⅞ March 2016	89.86	9.50	90.68	10.40

Source: Salomon Brothers

* Latest available figures